

**St. Joseph County, Michigan**

**FINANCIAL STATEMENTS**

**December 31, 2003**

St. Joseph County, Michigan

December 31, 2003

BOARD OF COMMISSIONERS

John Dobberteen	Chairperson
Monte Bordner	Vice Chairperson
Eric Shafer	Commissioner
Gerald Loudenslager	Commissioner
John Bippus	Commissioner
Robin Baker	Commissioner
David Pueschel	Commissioner

ADMINISTRATION AND OTHER ELECTED OFFICIALS

Judith K. West-Wing	Administrator
Janet Beals	Treasurer
Pattie S. Bender	Clerk
Cynthia L. Jarratt	Register of Deeds
David Hassenger	Drain Commissioner
Douglas K. Fisher	Prosecuting Attorney
Matthew J. Lori	Sheriff

St. Joseph County, Michigan

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**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

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American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
of St. Joseph County  
Centreville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of St. Joseph County, Michigan as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of St. Joseph County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the St. Joseph County Road Commission, which represents 75% and 38%, respectively of the total assets and revenues and other financing sources of the component units and St. Joseph County Community Mental Health Services which represents 9% of the assets and 56% of the revenues and other financing sources of the component unit governmental fund types. Those financial statements were audited by other auditors whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for the St. Joseph County Road Commission and St. Joseph Community Mental Health Services, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

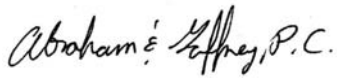
In our opinion, based on our audit and the audit of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of St. Joseph County, Michigan as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the County has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of January 1, 2003, along with all related statements and interpretations.

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2004 on our consideration of St. Joseph County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 61 through 67 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Joseph County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Abraham & Gaffney, P.C.".

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 23, 2004

**County of St. Joseph**  
**Management's Discussion and Analysis**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following is a discussion and analysis of St. Joseph County's (the County's) financial performance and position, providing an overview of the activities for the year ended December 31, 2003. This analysis should be read in conjunction with the *Independent Auditors Report*, beginning on page 1 of this report, and with the County's financial statements, which follow this section. 2003 represents the first year the County implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments - Omnibus* and Statement No. 38 *Certain Financial Statement Note Disclosures*. Therefore, this discussion and analysis provides few comparisons with the previous year. Future reports will include financial comparisons to the prior as required by GASB.

Certain limited financial information is presented with respect to the St. Joseph County Road Commission and the St. Joseph County Community Mental Health Services in the Management Discussion and Analysis. The reader should refer to the Road Commission's and Community Mental Health Services' separately issued financial statements for more detailed information.

**FINANCIAL HIGHLIGHTS**

**Government-wide:**

- Total net assets were \$30,790,033 (excluding component units).
- Governmental activities net assets were \$18,359,393.
- Business-type activity net assets were \$12,430,640.
- Component Unit net assets were \$29,406,953.

**Fund Level:**

- At the close of the fiscal year, the County's governmental funds reported a combined ending fund balance of \$11,036,583 with all but \$7,642,684 million being reserved, designated, or otherwise earmarked for specific purposes.
- The General Fund realized \$196,256 less in revenues and other financing sources than anticipated for the fiscal year. However, General Fund operations also expended \$478,597 less than appropriated.
- Overall, the General Fund balance increased by \$255,312 to \$3,890,733 with \$3,736,674 undesignated or available for general purposes.

**Capital and Long-term Debt Activities:**

- The primary government issued no new debt for the fiscal year.
- The total long-term debt for the primary government was \$12,802 with a net reduction of \$5,819 from the prior year.
- The Drainage Districts issued \$213,000 in new long-term notes.
- The total long-term debt for the component units (Drainage Districts and Board of Public Works only) was \$4,924,485 with a net reduction of \$367,189 from the prior year.
- The long-term debt for the Road Commission was \$670,580, and \$138,381 for the Mental Health Services.
- The County remains well below its authorized legal debt limit.
- The total additions to the capital asset schedule for the primary government was \$489,444 and included such purchases as three new sheriff patrol vehicles, a digital fingerprint system for the Sheriff's Office, a pick-up truck and playground equipment for Parks, and the replacement of the 60 ton AC system in the Courts Building.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual financial report of the County consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all non-major governmental funds and proprietary funds and other financial data.

### **Government-wide Financial Statements (Reporting the County as a Whole)**

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the County as a whole, and about its activities. Their purpose is to assist in answering the question, is the County, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 14) presents all of the County's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the County's financial position is improving or deteriorating.

The Statement of Activities (page 15) presents information showing how the County's net assets changed during 2003. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- ***Governmental Activities*** - Most of the County's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the County's general government departments, law enforcement, the courts, the Board of Commissioner operations, and other Countywide elected official operations are reported under these activities. This also includes the special revenue funds such as the Commission on Aging and Friend of the Court Funds.
- ***Business-type Activities*** - These activities operate like private businesses. The County charges fees to recover the cost of the services provided. The St. Joseph County Inmate Store Fund and the Tax Payment Fund are examples of these activities.
- ***Discretely Presented Component Units*** - Discretely Presented Component units are legally separate organizations for which the Board of Commissioners appoints a majority of the organization's policy board and there is a degree of financial accountability to the County. Five organizations are included as component units: the St. Joseph County Board of Public Works, the St. Joseph County Road Commission, the St. Joseph County Community Mental Health Services, the St. Joseph County Economic Development Corporation, and the Drainage Districts.



## **County of St. Joseph**

### **Management's Discussion and Analysis**

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As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period, expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 18 and 21 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the County's general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

#### **Fund Financial Statements (Reporting the County's Major Funds)**

The fund financial statements, which begin on page 16, provide information on the County's significant (major) funds, and aggregated non-major funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the County uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as the Commission on Aging and Child Care Fund; other funds are required by bond or grant agreements, such as the Friend of the Court Fund. Funds are also utilized to track specific operations; these include the internal services funds (e.g. Flexible Benefit Insurance Fund) as well as enterprise funds such as the Inmate Store and Tax Payment Funds.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for St. Joseph County include the General Fund, the Tax Payment Fund, the Central Dispatch Fund, and the County Facilities Maintenance Fund. All other funds are classified as non-major funds and are reported in aggregate by the applicable fund type. The County includes detailed information on its non-major funds in the other supplementary information section of this report.

## **County of St. Joseph**

### **Management's Discussion and Analysis**

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The County's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- ***Governmental Funds*** - Most of the County's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the County's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).
- ***Proprietary Funds*** - Services for which the County charges customers (whether outside the County structure or a County department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Three Rivers Community Center Fund. *Internal Service funds* report activities that provide supplies or service to the County's other operations, such as the Flexible Benefit Insurance Fund. Internal Service funds are reported as governmental activities on the government-wide statements.
- ***Fiduciary Funds*** - The County acts as a trustee or fiduciary in certain instances. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The County's fiduciary activities are reported in separate statements of Fiduciary Net Assets and Changes in Plan Net Assets on pages 26 and 27. These funds, which include trust and agency funds and the Pension Trust Fund, are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the County to fund its operations.

### **Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 31 of this report.

### **Required Supplementary Information**

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue fund.

**County of St. Joseph**  
**Management's Discussion and Analysis**

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**Other Supplementary Information**

Other Supplementary Information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

As previously stated, St. Joseph County's combined net assets were \$30,790,033 at the end of this fiscal year's operations. The net assets of the governmental activities were \$18,359,393; the business type activities were \$12,430,640.

**Net Assets as of December 31, 2003**

	<b><u>Governmental Activities</u></b>	<b><u>Business Type Activities</u></b>	<b><u>Total Primary Government</u></b>
Current and Other Assets	\$ 19,995,208	\$12,427,873	\$ 32,423,081
Non Current Assets	<u>7,334,637</u>	<u>9,869</u>	<u>7,344,506</u>
<b>Total Assets</b>	<b><u>\$ 27,329,845</u></b>	<b><u>\$12,437,742</u></b>	<b><u>\$ 39,767,587</u></b>
Current Liabilities	8,856,634	7,102	8,863,736
Other Liabilities	<u>113,818</u>	<u>-</u>	<u>113,818</u>
<b>Total Liabilities</b>	<b><u>\$ 8,970,452</u></b>	<b><u>\$ 7,102</u></b>	<b><u>\$ 8,977,554</u></b>
Net Assets			
Invested in Capital Assets (Net of related debt)	7,321,835	-	7,321,835
Restricted	7,168,921	-	7,168,921
Unrestricted	<u>3,868,637</u>	<u>12,430,640</u>	<u>16,299,277</u>
<b>Total Net Assets</b>	<b><u>\$ 18,359,393</u></b>	<b><u>\$12,430,640</u></b>	<b><u>\$ 30,790,033</u></b>

**County of St. Joseph**  
**Management's Discussion and Analysis**

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The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the County's primary government net assets changed during the fiscal year:

**Changes in Net Assets for the Fiscal Year Ending December 31, 2003**

	<b><u>Governmental Activities</u></b>	<b><u>Business Type Activities</u></b>	<b><u>Total</u></b>
<b>Revenues</b>			
Charges for Services	\$ 4,173,804	\$ 711,073	\$ 4,884,877
Grants and Contributions	3,098,898		3,098,898
General Revenues			
Property Taxes	7,781,815	-	7,781,815
State Shared Revenue	1,033,150	-	1,033,150
Investment Earnings	204,205	148,744	352,949
Miscellaneous	<u>63,770</u>	<u>3,405</u>	<u>67,175</u>
<b>Total Revenues</b>	<b>16,355,642</b>	<b>863,222</b>	<b>17,218,864</b>
<b>Expenses</b>			
General Government	\$ 7,451,509	\$ -	\$ 7,451,509
Public Safety	5,203,935	-	5,203,935
Public Works	11,629	-	11,629
Health and Welfare	2,987,889	-	2,987,889
Community and Econ. Dev.	24,693	-	24,693
Recreation and Cultural	274,352	-	274,352
Other	<u>7,071</u>	<u>108,733</u>	<u>115,804</u>
<b>Total Expenses</b>	<b><u>15,961,078</u></b>	<b><u>108,733</u></b>	<b><u>16,069,811</u></b>
Excess (deficiency)	394,564	754,489	1,149,053
Transfers	<u>( 252,587 )</u>	<u>( 27,523 )</u>	<u>( 280,110 )</u>
<b>Increase (decrease) in Net Assets</b>	<b>141,977</b>	<b>726,966</b>	<b>868,943</b>
Net Assets - Beginning	<u>18,217,416</u>	<u>11,703,674</u>	<u>29,921,090</u>
<b>Net Assets - Ending</b>	<b><u>\$ 18,359,393</u></b>	<b><u>\$12,430,640</u></b>	<b><u>\$ 30,790,033</u></b>

**Governmental Activities:**

The result of 2003 governmental activity was an increase of \$141,977 in net assets to \$18,359,393. Of the total governmental activities' net assets, \$7,321,835 is invested in capital assets less related debt, \$7,168,921 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the County government. The balance of \$3,868,637 is listed as unrestricted, having no legal commitment.

## **County of St. Joseph**

### **Management's Discussion and Analysis**

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#### **Revenues:**

The three largest revenue categories were property taxes at 48%, charges for services at 26%, and grants and contributions at 19%. The County levied four property tax millages for the 2002 tax levy which is recognized as revenue in 2003, one being for general government operations at 4.5997 mills, which is not assigned to any particular activity, one for Central Dispatch at .6218 mills, one for road maintenance at .9569 mills, and the senior citizens millage at .3333 mills. Charges for services, which reimburse the County for specific activities, are the second largest source of governmental activity revenue. Examples include District Court fees and services, Clerk's Office filing fees, Register of Deeds filing fees, and inmate telephone charges. Grants and contributions are the third largest source of governmental activity revenue.

#### **Expenses:**

General government is the largest governmental activity, expending almost \$7.5 million of the \$15.96 million governmental activities total and includes offices such as District Court, Juvenile Court, Prosecuting Attorney, Board of Commissioners, Treasurer, Clerk, Register of Deeds, Elections and MSU Extension. Public Safety is the second largest area, expending \$5.20 million. Expenditures grew in this activity as a result of homeland security measures instituted post 9/11/01. It also includes the Sheriff Road Patrol and Jail operations.

#### **Business-type Activities:**

Net assets in business-type activities increased by \$726,966 during 2003. The vast majority of this increase was a result of an increase in the Tax Payment Fund.

The total \$12.4 million of net assets in the business type activities is reported as unrestricted. However, it is important to note that although reported as unrestricted, many of these assets are anticipated to be designated through Board of Commissioners action to be spent on General Fund activities and self-funding of delinquent tax payments in future years.

### **FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR AND NON MAJOR FUNDS**

As the County completed 2003, its governmental funds reported *combined* fund balances of \$11,036,583. This is a net increase of \$109,501, including prior period adjustments. The net changes are summarized in the following chart:

	<b>General Fund</b>	<b>Central Dispatch</b>	<b>County Facilities Maintenance</b>	<b>Other Non Major Governmental Funds</b>
<b>Fund Balance 12/31/02</b>	\$3,635,421	\$ 982,412	\$3,292,912	\$3,016,337
<b>Fund Balance 12/31/03</b>	\$3,890,733	\$ 812,512	\$3,192,857	\$3,140,481
<b>Net Change</b>	\$ 255,312	\$( 169,900 )	\$( 100,055 )	\$ 124,144

## **County of St. Joseph**

### **Management's Discussion and Analysis**

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The General Fund balance increased by \$255,312. This is mainly due to a negative revenue and other finance source variance of \$196,256 being more than offset by a positive expenditure and other financing use variance of \$478,597. The Central Dispatch Fund decreased by \$169,900 mainly due to a transfer to the new Central Dispatch Wireless Fund. The County Facilities Maintenance Fund decreased by \$100,055 due to capital outlays. The combined other non-major funds increased by \$124,144 due mainly to an increase in the millage rate to fund the growing need for senior services and contract fee revenue over budget in the Waste Management Fund.

#### **General Fund:**

The General Fund is the chief operating fund of the County. Unless otherwise required by statute, contractual agreement or Board policy, all County revenues and expenditures are recorded in the General Fund. As of December 31, 2003, the General Fund reported a fund balance of almost \$3.9 million. This amount is an increase of \$255,312 from the fund balance of \$3.6 million reported as of December 31, 2002. Of the total fund balance, \$154,059 is reserved, designated or earmarked for specific purposes.

The General Fund 2003 revenues exceeded 2003 expenditures by \$255,312, however, the General Fund also supports the operations of other funds including the Parks & Recreation Fund, Child Care Fund, Secondary Road Patrol, Circuit Court Law Library Fund, and the County Survey & Remonumentation Fund.

#### **General Fund Budgetary Highlights:**

St. Joseph County's budget is a dynamic document. Although adopted in December (prior to the start of the year), the budget is frequently amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue and other financing sources totaled \$12,022,051, \$196,256 below the final amended budget. There were some wide variations in individual revenue accounts reflecting the tightening national and local economy. Significantly, investment income fell \$150,501 below anticipated levels due to reduced market interest rates, and state revenue sharing-per capita payments were \$225,150 below budget due to the State of Michigan reducing payments in order to mitigate a portion of their budget shortfalls. Fortunately, the County received \$144,925 more revenue than anticipated in the Register of Deeds office due to the increased mortgage refinancing activities.

The County's expenditure budget was increased by \$173,179 (1.4% above the original budget) during 2003. A majority of the amendments were related to the increased number of federal grants to enhance the County's homeland security efforts.

Actual County expenditures for 2003 were \$478,597 below budget. This is due to several reasons including:

- \$69,186 less than planned expenditures in the Emergency Services program area as grant funds had not been received by the end of the year.
- \$75,000 less than planned expenditures for personnel in the Human Resource and Prosecutor offices due to positions remaining open part of the year.
- \$51,811 less than planned expenditures in other public safety programs.
- \$21,272 contingency funds not expended.

## **County of St. Joseph**

### **Management's Discussion and Analysis**

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#### **Central Dispatch Fund:**

Central Dispatch is a 24 hour a day, 7 days a week dispatch facility. This department answers all emergency and non-emergency calls for service for police, fire, and EMS in St. Joseph County. The program is primarily funded by a millage. As of January 1, 2003 a new fund, Central Dispatch-Wireless Fund, was created to account for activities funded by a wireless surcharge grant that had been previously accounted for in the Central Dispatch Fund. As of December 31, 2003, the Central Dispatch Fund reported a fund balance of \$812,512, a decrease of \$169,900 from the prior year. Of the total fund balance, all but \$10,803 is undesignated/unreserved.

#### **County Facilities Maintenance Fund:**

The County Facilities Maintenance Fund is used to account for maintenance and improvements to the County's facilities. Revenue is generated by transfers from the General Fund. There are also designated funds available from the sale of a County Nursing Facility. As of December 31, 2003, the County Facilities Maintenance Fund reported a fund balance \$3,192,857, which is a decrease of \$100,055 from the prior year. Of the total fund balance, all is designated for capital projects.

#### **Significant Changes - Other Major Funds:**

GASB Statement No. 34 requires that funds designated as "major" be presented as a separate column on the face of the financial statements. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** - At the end of Fiscal Year 2003, the County had invested \$7,334,637, and \$954,977 for the component units (excluding the Road Commission and Community Mental Health Services, see separately issued financial statements), net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$8,379,288 for the primary government. Depreciation charges for the fiscal year totaled \$461,716 for the primary government and \$32,256 for the component units.

	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Component Unit Drains</b>	<b>Component Unit Economic Development</b>	<b>Total</b>
<b>Land and improvements</b>	\$ 661,428	\$ -	\$ -	\$ -	<b>\$ 661,428</b>
<b>Buildings, net</b>	5,356,269	-	-	-	<b>5,356,269</b>
<b>Equipment, net</b>	777,243	9,869	-	2,690	<b>789,802</b>
<b>Vehicles, net</b>	333,419	-	-	-	<b>333,419</b>
<b>Drains, net</b>	-	-	952,287	-	<b>952,287</b>
<b>Construction in Progress</b>	206,278	-	63,569	-	<b>269,847</b>
<b>Capital assets, net</b>	<b>\$ 7,334,637</b>	<b>\$ 9,869</b>	<b>\$ 1,015,856</b>	<b>\$ 2,690</b>	<b>\$ 8,363,052</b>

**County of St. Joseph**  
**Management's Discussion and Analysis**

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Long-term Debt - As of December 31, 2003, the County had \$12,802 in loans outstanding for the primary government. This level of net obligation is \$5,819 less than the obligation recorded as of December 31, 2002. In addition, the County uses its full faith and credit (as a secondary obligator), to back the Board of Public Works and Drainage District component unit debt. The Drain Commission administers debt for various local drainage districts and water and sewer systems for local municipalities in St. Joseph County. All drain debt is payable out of assessments against the drainage districts or by contractual agreements with local units of government. The following table excludes the County Road Commission and Community Mental Health Services.

**Outstanding Debt as of December 31, 2003:**

<b>Primary Government</b>	<b><u>Jan. 1, 2003</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Dec. 31, 2003</u></b>
Governmental Activities				
Loans Payable	\$ 18,621	\$ -	\$ 5,819	\$ 12,802
<b>Component Units</b>				
Board of Public Works				
Water and Sewer Bonds	4,775,000	-	485,000	4,290,000
Drainage Districts				
Drain Bonds and Notes	<u>516,674</u>	<u>213,000</u>	<u>95,189</u>	<u>634,485</u>
<b>Total Component Units</b>	<u>5,291,674</u>	<u>213,000</u>	<u>580,189</u>	<u>4,924,485</u>
<b>Total Reporting Entity</b>	<b><u>\$5,310,295</u></b>	<b><u>\$ 213,000</u></b>	<b><u>\$ 586,008</u></b>	<b><u>\$ 4,937,287</u></b>
<b>Debt Limit (10% of SEV)</b>				<b>\$189,384,700</b>
<b>Available Statutory Debt Limit</b>				<b>\$184,447,413</b>

Activity for the Component Units and Drain Funds during 2003 included the issuance of \$213,000 in drainage district bonds and notes.

A more detailed discussion of the County's long-term debt obligations is presented in Note F to the financial statements. The Road Commission and Mental Health Services separately issued financial statements includes details about their long-term debt.



## **County of St. Joseph**

### **Management's Discussion and Analysis**

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#### **Limitations on Debt:**

State statute limits the County's debt obligations to 10 percent of the current state equalized value (SEV). The County's SEV as of December 31, 2003 was \$1.894 billion; therefore the County's debt limitation was \$189 million. The county remains well below its legal debt limit by over \$184 million.

#### **ST. JOSEPH COUNTY GOVERNMENT ECONOMIC OUTLOOK:**

- State revenue sharing has been declining and may face additional cuts due to state budget problems.
- Other state and federal revenues and/or grants are being reduced.
- Property tax revenue is not rising as rapidly as in past years.
- Investment earnings are at historically low levels.
- Revenue from jail room and board will be reduced in 2004 due to a jail renovation project.
- Health and dental insurance premiums are rising much faster than the rate of inflation.
- Retirement costs are increasing due to poor stock market performance over the last several years.
- Utility costs are rising faster than the rate of inflation.

These factors were considered in adopting the Budget for 2004. A usage of \$845,380 of the County's strong fund balance was included to balance the General Fund Budget. The County continues to look for ways to increase efficiencies and reduce the cost of doing business.

#### **CONTACTING THE COUNTY**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the St. Joseph County Treasurer's Office at (269) 467-5527 or St. Joseph County Finance at (269) 467-5631 or via email, [careyd@stjosephcountymi.org](mailto:careyd@stjosephcountymi.org).

## **BASIC FINANCIAL STATEMENTS**

St. Joseph County, Michigan

STATEMENT OF NET ASSETS

December 31, 2003

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,736,427	\$ 1,304,584	\$ 5,041,011	\$ 3,365,041
Investments	7,546,773	9,236,970	16,783,743	-
Receivables	7,578,182	1,886,319	9,464,501	2,211,371
Due from other governmental units	841,161	-	841,161	21,234
Due from individuals	7,703	-	7,703	-
Inventory	53,337	-	53,337	536,134
Prepaid expenses	231,625	-	231,625	119,416
Current portion of lease receivable	-	-	-0-	328,596
Total current assets	19,995,208	12,427,873	32,423,081	6,581,792
Non-current assets				
Cash and cash equivalents - restricted	-	-	-0-	263,928
Lease receivable	-	-	-0-	4,075,000
Capital assets, net	7,334,637	9,869	7,344,506	27,422,506
Total non-current assets	7,334,637	9,869	7,344,506	31,761,434
TOTAL ASSETS	27,329,845	12,437,742	39,767,587	38,343,226
LIABILITIES				
Current liabilities				
Accounts payable	358,841	5,179	364,020	659,132
Accrued liabilities	1,053,493	1,923	1,055,416	103,992
Accrued interest payable	-	-	-0-	121,853
Due to other governmental units	-	-	-0-	1,016,031
Deferred revenue	7,437,316	-	7,437,316	1,285,819
Notes payable	-	-	-0-	16,000
Current portion of compensated absences	-	-	-0-	30,800
Current portion of long-term debt	6,984	-	6,984	584,080
Total current liabilities	8,856,634	7,102	8,863,736	3,817,707
Non-current liabilities				
Advance from State	108,000	-	108,000	-
Compensated absences	-	-	-0-	233,721
Non-current portion of long-term debt	5,818	-	5,818	4,884,845
Total non-current liabilities	113,818	-0-	113,818	5,118,566
TOTAL LIABILITIES	8,970,452	7,102	8,977,554	8,936,273
NET ASSETS				
Invested in capital assets, net of related debt	7,321,835	-	7,321,835	26,380,012
Restricted for:				
Public safety	1,480,869	-	1,480,869	-
Debt service	-	-	-0-	161,838
Capital improvements	3,192,857	-	3,192,857	-
Other purposes	2,495,195	-	2,495,195	2,865,103
Unrestricted	3,868,637	12,430,640	16,299,277	-
TOTAL NET ASSETS	\$ 18,359,393	\$ 12,430,640	\$ 30,790,033	\$ 29,406,953

See accompanying notes to financial statements.

St. Joseph County, Michigan

STATEMENT OF ACTIVITIES

Year Ended December 31, 2003

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Component Units
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities								
General government	\$ 7,451,509	\$ 2,120,920	\$ 1,708,979	\$ -	\$ (3,621,610)	\$ -	\$ (3,621,610)	\$ -
Public safety	5,203,935	646,448	719,288	88,484	(3,749,715)	-	(3,749,715)	-
Public works	11,629	-	-	-	(11,629)	-	(11,629)	-
Health and welfare	2,987,889	1,394,323	521,720	-	(1,071,846)	-	(1,071,846)	-
Community and economic development	24,693	-	6,990	-	(17,703)	-	(17,703)	-
Recreation and cultural	274,352	12,113	53,437	-	(208,802)	-	(208,802)	-
Other	7,071	-	-	-	(7,071)	-	(7,071)	-
Total governmental activities	15,961,078	4,173,804	3,010,414	88,484	(8,688,376)	-0-	(8,688,376)	-0-
Business-type activities:								
Tax Payment Fund	-	593,006	-	-	-	593,006	593,006	-
Other	108,733	118,067	-	-	-	9,334	9,334	-
Total business-type activities	108,733	711,073	-	-0-	-0-	602,340	602,340	-0-
Total primary government	<u>\$ 16,069,811</u>	<u>\$ 4,884,877</u>	<u>\$ 3,010,414</u>	<u>\$ 88,484</u>	(8,688,376)	602,340	(8,086,036)	-0-
Component units:								
Drainage Districts	119,392	-	-	157,878	-	-	-0-	38,486
Board of Public Works	353,997	-	679,683	-	-	-	-0-	325,686
Economic Development Corporation	111,451	37,144	-	-	-	-	-0-	(74,307)
Community of Mental Health	10,059,770	7,551,572	1,966,107	-	-	-	-0-	(542,091)
Road Commission	5,158,131	510,752	4,877,726	429,921	-	-	-0-	660,268
Total component units	<u>\$ 15,802,741</u>	<u>\$ 8,099,468</u>	<u>\$ 7,523,516</u>	<u>\$ 587,799</u>	-0-	-0-	-0-	408,042
General revenues:								
Property taxes					7,781,815	-	7,781,815	827,595
State shared revenue					1,033,150	-	1,033,150	-
Investment earnings					204,205	148,744	352,949	59,564
Miscellaneous					63,770	3,405	67,175	7,377
Transfers					(252,587)	(27,523)	(280,110)	270,110
Total general revenues and transfers					8,830,353	124,626	8,954,979	1,164,646
Change in net assets					141,977	726,966	868,943	1,572,688
Net assets, beginning of the year					18,217,416	11,703,674	29,921,090	27,834,265
Net assets, end of the year					<u>\$ 18,359,393</u>	<u>\$ 12,430,640</u>	<u>\$ 30,790,033</u>	<u>\$ 29,406,953</u>

See accompanying notes to financial statements.

St. Joseph County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2003

	General	Central Dispatch	County Facilities Maintenance
<b>ASSETS</b>			
Cash and cash equivalents	\$ (3,889,902)	\$ 838,632	\$ 3,240,145
Investments	7,546,773	-	-
Accounts receivable	36,439	-	1,693
Taxes receivable			
Current	6,495,871	882,022	-
Delinquent	56,275	-	-
Interest receivable	1,313	-	-
Due from other governmental units			
Due from Federal/State	542,225	-	-
Due from Local	-	-	-
Due from individuals	7,703	-	-
Prepayments	83,785	10,803	-
Inventory	48,179	-	-
	<u>\$ 10,928,661</u>	<u>\$ 1,731,457</u>	<u>\$ 3,241,838</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 147,470	\$ 1,747	\$ 48,981
Accrued liabilities	335,164	35,176	-
Deferred revenue	6,555,294	882,022	-
Advance from State	-	-	-
	<u>7,037,928</u>	<u>918,945</u>	<u>48,981</u>
<b>FUND BALANCES</b>			
Reserved for:			
Prepayments	83,785	10,803	-
Inventory	48,179	-	-
Cemetery maintenance	-	-	-
Animal control	22,095	-	-
Unreserved			
Designated for:			
Capital projects	-	-	3,192,857
Undesignated, reported in:			
General fund	3,736,674	-	-
Special revenue funds	-	801,709	-
	<u>3,890,733</u>	<u>812,512</u>	<u>3,192,857</u>
<b>TOTAL FUND BALANCES</b>	<u>3,890,733</u>	<u>812,512</u>	<u>3,192,857</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 10,928,661</u>	<u>\$ 1,731,457</u>	<u>\$ 3,241,838</u>

See accompanying notes to financial statements.

Other Non-major Governmental Funds	Total Governmental Funds
\$ 3,054,773	\$ 3,243,648
-	7,546,773
102,006	140,138
-	7,377,893
-	56,275
-	1,313
243,534	785,759
55,402	55,402
-	7,703
16,670	111,258
5,158	53,337
<u>\$ 3,477,543</u>	<u>\$ 19,379,499</u>

\$ 160,635	\$ 358,833
68,427	438,767
-	7,437,316
108,000	108,000

337,062	8,342,916
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16,670	111,258
5,158	53,337
14,352	14,352
-	22,095

-	3,192,857
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-	3,736,674
3,104,301	3,906,010

3,140,481	11,036,583
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<u>\$ 3,477,543</u>	<u>\$ 19,379,499</u>
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St. Joseph County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

December 31, 2003

**Total fund balance - governmental funds** \$ 11,036,583

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 15,713,925	
Accumulated depreciation is	<u>(8,379,288)</u>	
Capital assets, net		7,334,637

Internal Service Funds are used by management to charge the costs  
of certain activities to individual funds. The assets and liabilities  
of the Internal Service Funds are included in the governmental activities  
in the Government-wide Statement of Net Assets

Net assets of governmental activities accounted for in Internal Service Funds	975
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Long-term liabilities are not due and payable in the current period and  
therefore are not reported in the Governmental Funds Balance Sheet.  
Long-term liabilities at year-end consist of:

Direct County obligations	<u>(12,802)</u>
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**Net assets of governmental activities** \$ 18,359,393

See accompanying notes to financial statements.

St. Joseph County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2003

	General	Central Dispatch	County Facilities Maintenance
REVENUES			
Taxes	\$ 6,462,924	\$ 873,152	\$ -
Licenses and permits	83,188	-	-
Intergovernmental	2,848,127	26,617	-
Charges for services	1,747,552	-	-
Fines and forfeits	440,867	-	-
Interest and rents	185,443	13,935	130
Other	146,702	2,309	-
TOTAL REVENUES	11,914,803	916,013	130
EXPENDITURES			
Current			
General government	6,969,076	-	-
Public safety	3,508,145	872,855	-
Public works	11,629	-	-
Health and welfare	505,677	-	-
Community and economic development	10,047	-	-
Recreation and cultural	-	-	-
Other	7,071	-	-
Capital outlay	-	-	206,278
TOTAL EXPENDITURES	11,011,645	872,855	206,278
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	903,158	43,158	(206,148)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	107,248	-	193,667
Operating transfers out	(532,114)	(213,058)	(87,574)
Transfers to component unit	(222,980)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(647,846)	(213,058)	106,093
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	255,312	(169,900)	(100,055)
Fund balances, beginning of year	3,635,421	1,206,566	3,292,912
Prior period adjustments	-	(224,154)	-
Fund balances, end of year	\$ 3,890,733	\$ 812,512	\$ 3,192,857

See accompanying notes to financial statements.



Other Non-major Governmental Funds	Total Governmental Funds
\$ 459,530	\$ 7,795,606
6,990	90,178
2,062,551	4,937,295
770,655	2,518,207
175,399	616,266
6,101	205,609
43,470	192,481
3,524,696	16,355,642
195,863	7,164,939
700,732	5,081,732
-	11,629
2,470,989	2,976,666
14,646	24,693
236,740	236,740
-	7,071
283,806	490,084
3,902,776	15,993,554
(378,080)	362,088
695,613	996,528
(193,389)	(1,026,135)
-	(222,980)
502,224	(252,587)
124,144	109,501
2,792,183	10,927,082
224,154	-0-
<u>\$ 3,140,481</u>	<u>\$ 11,036,583</u>

St. Joseph County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2003

**Net change in fund balances - total governmental funds** \$ 109,501

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 489,444	
Depreciation expense	<u>(461,716)</u>	
Excess of depreciation expense over capital outlay		27,728

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Net expense from governmental activities accounted for in Internal Service Funds	(1,071)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Loan principal retirement	<u>5,819</u>
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<b>Change in net assets of governmental activities</b>	<u><u>\$ 141,977</u></u>
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See accompanying notes to financial statements.

St. Joseph County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2003

	Business-type Activities			Governmental Activities
	Tax Payment Fund	Other Non-major Enterprise Funds	Total	Internal Service Fund
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,256,167	\$ 48,417	\$ 1,304,584	\$ 492,779
Investments	9,236,970	-	9,236,970	-
Receivables				
Accounts	25,532	592	26,124	2,563
Delinquent taxes	1,860,195		1,860,195	-
Prepaid expenses	-	-	-0-	120,367
Total current assets	12,378,864	49,009	12,427,873	615,709
Noncurrent assets				
Capital assets, net	-	9,869	9,869	-
TOTAL ASSETS	12,378,864	58,878	12,437,742	615,709
LIABILITIES				
Current liabilities				
Accounts payable	673	4,506	5,179	8
Accrued liabilities	-	1,923	1,923	614,726
TOTAL LIABILITIES	673	6,429	7,102	614,734
NET ASSETS				
Designated				
Future tax notes	800,000	-	800,000	-
Unrestricted	11,578,191	52,449	11,630,640	975
TOTAL NET ASSETS	\$ 12,378,191	\$ 52,449	\$ 12,430,640	\$ 975

See accompanying notes to financial statements.

St. Joseph County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2003

	Business-type Activities			Governmental Activities
	Tax Payment Fund	Other Non-major Enterprise Funds	Total	Internal Service Fund
OPERATING REVENUES				
Interest and penalties on delinquent taxes	\$ 391,661	\$ -	\$ 391,661	\$ -
Charges for services	201,345	87,264	288,609	1,287,420
Intergovernmental	-	1,778	1,778	-
Rent	-	30,803	30,803	-
Other revenue	-	1,627	1,627	-
TOTAL OPERATING REVENUES	593,006	121,472	714,478	1,287,420
OPERATING EXPENSES				
Personal services	-	15,090	15,090	-
Employee benefits	-	-	-	1,288,491
Operating supplies	-	92,023	92,023	-
Depreciation	-	1,620	1,620	-
TOTAL OPERATING EXPENSES	-	108,733	108,733	1,288,491
OPERATING INCOME (LOSS)	593,006	12,739	605,745	(1,071)
NON-OPERATING REVENUES				
Interest revenue	148,744	-	148,744	-
INCOME (LOSS) BEFORE TRANSFERS	741,750	12,739	754,489	(1,071)
TRANSFERS OUT				
Transfer out	(27,523)	-	(27,523)	-
CHANGE IN NET ASSETS	714,227	12,739	726,966	(1,071)
Net assets, beginning of year	11,663,964	39,710	11,703,674	2,046
Net assets, end of year	<u>\$ 12,378,191</u>	<u>\$ 52,449</u>	<u>\$ 12,430,640</u>	<u>\$ 975</u>

See accompanying notes to financial statements.

St. Joseph County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2003

	Business-type Activities			Governmental Activities
	Tax Payment Fund	Other Non-major Enterprise Funds	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 751,340	\$ 121,836	\$ 873,176	\$ 1,291,954
Cash paid to suppliers	673	(110,849)	(110,176)	-
Cash paid for employee benefits	-	-	-0-	(1,254,754)
Cash received from local units	-	1,778	1,778	-
Cash paid to employees	-	(14,636)	(14,636)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	752,013	(1,871)	750,142	37,200
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers out	(27,523)	-	(27,523)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(9,236,970)	-	(9,236,970)	-
Maturity of investments	8,960,949	-	8,960,949	-
Interest revenue	148,744	-	148,744	-
NET CASH (USED) BY INVESTING ACTIVITIES	(127,277)	-0-	(127,277)	-0-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	597,213	(1,871)	595,342	37,200
Cash and cash equivalents, beginning of year	658,954	50,288	709,242	455,579
Cash and cash equivalents, end of year	\$ 1,256,167	\$ 48,417	\$ 1,304,584	\$ 492,779

See accompanying notes to financial statements.

St. Joseph County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2003

	Business-type Activities			Governmental Activities
	Tax Payment Fund	Other Non-major Enterprise Funds	Total	Internal Service Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 593,006	\$ 12,739	\$ 605,745	\$ (1,071)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities				
Depreciation	-	1,620	1,620	-
(Increase) decrease in receivables	31,210	2,142	33,352	(553)
(Increase) in prepaid expenses	-	-	-0-	(10,615)
Decrease in due from others	127,124	-	127,124	5,087
Increase (decrease) in accounts payable	673	(839)	(166)	(20)
Increase in accrued liabilities	-	454	454	44,372
(Decrease) in accrued liabilities	-	(17,987)	(17,987)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 752,013</u>	<u>\$ (1,871)</u>	<u>\$ 750,142</u>	<u>\$ 37,200</u>

St. Joseph County, Michigan  
Fiduciary Funds  
STATEMENT OF NET ASSETS  
December 31, 2003

	Agency Funds	Pension Fund
ASSETS		
Cash and cash equivalents	\$ 2,735,459	\$ 108,679
Investments	-	13,050,195
Accounts receivable	-	1,208
	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u><u>\$ 2,735,459</u></u>	<u><u>\$ 13,160,082</u></u>
LIABILITIES		
Undistributed collections payable	\$ 2,133,336	\$ -
Due to other governmental units		
Federal/State	117,381	-
Local	9,246	-
Due to individuals and agencies	<u>475,496</u>	<u>-</u>
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	<u><u>\$ 2,735,459</u></u>	<u><u>-0-</u></u>
NET ASSETS		
Held in trust for pension benefits		<u><u>\$ 13,160,082</u></u>

See accompanying notes to financial statements.

St. Joseph County, Michigan

Pension Trust Fund

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended December 31, 2003

	<u>Pension Fund</u>
ADDITIONS	
Investment income	
Interest and dividends	\$ 447,091
Net increase in fair value of investments	885,030
Gain on sale of investments	637,002
Less investment expenses	<u>(42,628)</u>
Net investment income	1,926,495
Contributions	
Employer	<u>256,644</u>
Total additions	2,183,139
DEDUCTIONS	
Benefit payments	302,876
Refunds of contributions	171
Administrative expenses	<u>24,856</u>
Total deductions	<u>327,903</u>
CHANGE IN NET ASSETS	1,855,236
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>11,304,846</u>
End of year	<u><u>\$ 13,160,082</u></u>

See accompanying notes to financial statements.



St. Joseph County, Michigan

Component Unit Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2003

	Road Commission	Community Mental Health (9/30/03)	Board of Public Works
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 81,064	\$ 2,856,547	\$ 82,729
Receivables	1,699,368	17,544	-
Due from other governmental units	-	21,234	-
Inventory	536,134	-	-
Prepaid expenses	-	119,416	-
Current portion of lease receivable	-	-	328,596
Total current assets	2,316,566	3,014,741	411,325
Non-current assets			
Cash and cash equivalents - restricted	-	127,497	-
Lease receivable	-	-	4,075,000
Capital assets, net	26,281,631	122,329	-
Total non-current assets	26,281,631	249,826	4,075,000
<b>TOTAL ASSETS</b>	<b>28,598,197</b>	<b>3,264,567</b>	<b>4,486,325</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	123,867	524,749	-
Accrued liabilities	40,568	58,699	-
Accrued interest	-	-	113,596
Due to other governmental units	-	1,016,031	-
Deferred revenue	857,285	81,843	-
Notes payable	-	-	-
Current portion of compensated absences	30,800	-	-
Current portion of long-term debt	302,588	-	185,000
Total current liabilities	1,355,108	1,681,322	298,596
Non-current liabilities			
Non-current portion of compensated absences	95,340	138,381	-
Non-current portion of long-term debt	241,852	-	4,105,000
Total non-current liabilities	337,192	138,381	4,105,000
<b>TOTAL LIABILITIES</b>	<b>1,692,300</b>	<b>1,819,703</b>	<b>4,403,596</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	25,737,191	122,329	-
Restricted for other purposes	1,168,706	1,322,535	82,729
Restricted for debt service	-	-	-
<b>TOTAL NET ASSETS</b>	<b>\$ 26,905,897</b>	<b>\$ 1,444,864</b>	<b>\$ 82,729</b>

See accompanying notes to financial statements.

Drainage Districts	Economic Development Corporation	Total Component Units
\$ 206,218	\$ 138,483	\$ 3,365,041
494,459	-	2,211,371
-	-	21,234
-	-	536,134
-	-	119,416
-	-	328,596
700,677	138,483	6,581,792
136,431	-	263,928
-	-	4,075,000
1,015,856	2,690	27,422,506
1,152,287	2,690	31,761,434
1,852,964	141,173	38,343,226
7,842	2,674	659,132
-	4,725	103,992
8,257	-	121,853
-	-	1,016,031
346,691	-	1,285,819
16,000	-	16,000
-	-	30,800
96,492	-	584,080
475,282	7,399	3,817,707
-	-	233,721
537,993	-	4,884,845
537,993	-0-	5,118,566
1,013,275	7,399	8,936,273
517,802	2,690	26,380,012
160,049	131,084	2,865,103
161,838	-	161,838
\$ 839,689	\$ 133,774	\$ 29,406,953

St. Joseph County, Michigan

Component Unit Funds

STATEMENT OF ACTIVITIES

Year Ended December 31, 2003

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenues and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Assets
Drainage Districts	\$ 119,392	\$ -	\$ -	\$ 157,878	\$ 38,486
Board of Public Works	353,997	-	679,683	-	325,686
Economic Development Corporation	111,451	37,144	-	-	(74,307)
Community Mental Health	10,059,770	7,551,572	1,966,107	-	(542,091)
Road Commission	5,158,131	510,752	4,877,726	429,921	660,268
TOTALS	<u>\$ 15,802,741</u>	<u>\$ 8,099,468</u>	<u>\$ 7,523,516</u>	<u>\$ 587,799</u>	408,042
General revenues					
Property taxes					827,595
Interest earned					59,564
Miscellaneous					7,377
Transfers from primary government - net					<u>270,110</u>
Total general revenues and transfers					<u>1,164,646</u>
CHANGE IN NET ASSETS					1,572,688
Net assets, beginning of year					<u>27,834,265</u>
Net assets, end of year					<u>\$ 29,406,953</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County of St. Joseph, Michigan, was incorporated in 1829, and covers an area of approximately 516 square miles with the County seat located in the City of Centreville. The County operates under an elected Board of Commissioners and provides services to its more than 62,422 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present the financial activities of St. Joseph County (primary government) and its component units. The component units described in Sections 2 and 3 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities, are in substance part of the County's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

The following funds are reported on the fiscal year-end of September 30, 2003:

<u>Fund Name</u>	<u>Fund Type</u>
Mental Health Services	Discretely Presented Component Unit Fund
Commission on Aging	Special Revenue Fund
Victims Rights Advocate	Special Revenue Fund
Community Corrections Advisory Board	Special Revenue Fund
Secondary Road Patrol	Special Revenue Fund
COA Gadabouts	Enterprise Fund

2. Blended Component Unit

The St. Joseph County Family Independence Agency is governed by a three (3) member Board. The Board consists of two (2) members appointed by the County Board of Commissioners and one (1) State appointed member. The Board is responsible for establishing policies and the operational oversight of the local administration of the State of Michigan Social Welfare program. Although the employees of the St. Joseph County Family Independence Agency are employed by the State of Michigan and substantially all the programs are financed by the State, State law requires the local activities to be "blended" with the local primary government.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, St. Joseph County remains financially accountable for these entities, or the nature and significance of the relationship between these entities and St. Joseph County is such that exclusion of these entities would render the financial statements misleading or incomplete.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Discretely Presented Component Units - continued

The St. Joseph County Community Mental Health Services is governed by a twelve (12) member Board appointed by the County Board of Commissioners. The St. Joseph County Community Mental Health Services (the Authority) is legally separate from the County. Its sole purpose is to provide services in the areas of mental illness, developmental disabilities, and other related mental health needs for residents of St. Joseph County.

The St. Joseph County Road Commission is responsible for the maintenance and construction of the County road system. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, Federal financial assistance, and contributions from other local government units within the County. The three (3) Board Members of the Road Commission are appointed by the St. Joseph County Board of Commissioners. This component unit is audited individually and complete financial statements may be obtained from the Road Commission's administrative office.

The St. Joseph County Board of Public Works (BPW) is a seven (7) member Board comprised of the Drain Commissioner, a County Commissioner, a Road Commissioner, and six (6) members selected by the County Board of Commissioners. The Board is under the general control of the County Board of Commissioners. The Board can acquire, improve, operate, and maintain water and sewage disposal systems for local units of government. Projects are initiated when the local unit requests the assistance of the BPW in organizing a project. Usually projects are financed by the sale of bonds upon final approval by the County Board of Commissioners as recommended by the BPW. The County must sell the bonds and pledge its full faith and security for payment of principal and interest. Special assessments are levied by the local units of government on benefited properties and are forwarded to the County for payment of principal and interest.

The Drainage Districts in the County come under the jurisdiction of the St. Joseph County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and may borrow up to \$300,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Municipal Finance Division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance. The Drainage Districts are financially accountable to the County because bond issuances greater than \$300,000 require County authorization and are backed by the full faith and credit of the County.

The St. Joseph County Economic Development Corporation (EDC) is a fifteen (15) member board appointed by the County Board of Commissioners. The EDC may not issue debt or levy a tax without the approval of the County Board of Commissioners. If approval is granted, such taxes would be levied under the taxing authority of the County.

4. Joint Ventures

The County participates in the following activities, which are considered to be joint ventures in relation to the County due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Branch-Hillsdale-St. Joseph Community Health Agency - The County is a member of the Branch-Hillsdale-St. Joseph Community Health Agency, which is a joint venture between St. Joseph, Branch, and Hillsdale Counties. The Community Health Agency has representation and provides services to St. Joseph, Branch, and Hillsdale Counties. Each County provides annual appropriations and passes through the statutory amounts of cigarette tax funding to subsidize operations. The current funding formula approved by the District Health Board requires Branch, Hillsdale, and St. Joseph Counties to provide 29, 30, and 41 percent, respectively.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Joint Ventures - continued

St. Joseph County is responsible to fund approximately 41% of the required local contribution to cover operational costs. For the year ended December 31, 2003, the County contributed \$390,295 to cover its share of operational costs. The treasury function for the Branch-Hillsdale-St. Joseph District Health Agency rests with the Branch County Treasurer.

The financial activities of the Branch-Hillsdale-St. Joseph Community Health Agency are accounted for and reported separately from the participating units. Separate audited financial statements for their year ended September 30, 2003, are available at the Agency's administrative offices. As of September 30, 2003, the Agency had total net assets of \$797,081.

5. Jointly Governed Organizations

The Region III C Area Agency on Aging provides comprehensive services to older individuals residing in St. Joseph and Branch Counties. Operating revenues are derived from Federal, State, and local governments as well as fees for services. The Region III C Area Agency on Aging is governed by a seven (7) member Board appointed by the Board of Commissioners of the two (2) Counties it services. A copy of Region III C Area Agency on Aging's audit can be obtained at their Administrative offices.

St. Joseph County, in conjunction with Kalamazoo County, has formed a Workforce Development Board called the Kalamazoo-St. Joseph MWA for purposes of detailing and designating functions and responsibilities related to administration of job training and workforce development programs. St. Joseph County appoints six (6) of the twenty-eight (28) members. A copy of the MWA's audited financial statements can be obtained at their Administrative offices.

6. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS

The fund financial statements present the County's individual major funds and aggregated non-major funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the County are:

- a. The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Central Dispatch Fund is used to report central dispatch services that are financed primarily by taxes and expenditures within the fund all to be used for the operation of the system.
- c. The County Facilities Maintenance Fund is used to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary Funds and Trust Funds), as well as the maintenance of current facilities.
- d. The Tax Payment Fund accounts for money advanced by the County to other local taxing units and various county funds to pay for their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties, and interest.

7. Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

8. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

8. Basis of Accounting - continued

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

9. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in certificates of deposit, mutual funds, and time certificates with an original maturity of 90 days or less.

10. Restricted Cash

Drainage District (component unit) Fund holds restricted cash for Drain capital improvement projects. The St. Joseph County Community Mental Health Services (component unit) Fund holds funds in a separate bank for the future payment of the vested portion of compensated absences as of September 30, 2003. The use of these funds is restricted to payment of compensated absences.

11. Investments

Investments consist of certificates of deposit, Pension securities, and U.S. Government Securities with original maturities of greater than 90 days. Investments are recorded at market value in accordance with GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

12. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and accounts receivable related to charges for services.

13. Inventories

Inventories of the Central Service (General Fund) and the Commission on Aging Fund consist of miscellaneous consumer products on hand for resale, which are stated at the lower of first-in, first-out cost or market.



NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

13. Inventories - continued

Inventory of the Road Commission (component unit) consist of various operating parts, supplies, and road material, and the cost is recognized using the consumption method (inventories recorded as expenditures when they are used). Inventories are stated at average cost determined on a first-in, first-out method, except for road materials, which are determined on the average cost method, and are not in excess of market value.

14. Lease Receivable

The County has irrevocably pledged its full faith and credit as collateral for certain water and sewer system bonds. These projects are administered by the St. Joseph County Board of Public Works for local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, provide the monies required to meet the principal and interest on the water and sewer system bonds. All future amounts due for bond principal and an additional amount for the amount of accrued interest payable has been recorded as a lease receivable at the government-wide level based on guidance from MCGAA Statement 10, as amended. The receivable has been reported as current based on the amounts to be collected next year to satisfy obligations and amounts to be collected subsequently which have been reported as noncurrent.

15. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION AND MENTAL HEALTH)

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$300 or more and an estimated useful life of more than one year. Drain infrastructure with individual cost of \$50,000 will be capitalized.

Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	5 - 30 years
Buildings and improvements	10 - 50 years
Equipment	3 - 7 years
Vehicles	5 years
Drain infrastructure	40 years

ROAD COMMISSION - COMPONENT UNIT

Capital assets, which include property, equipment, and infrastructure assets (i.e., roads, bridges and similar items), are reported in the government-wide financial statements (statement of net assets and statement of changes in net assets). Infrastructure assets are being capitalized and depreciated beginning fiscal year 2003 as indicated on the government-wide statements. Capital assets are defined by the Road Commission as assets with an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

15. Capital Assets - continued

ROAD COMMISSION - COMPONENT UNIT - CONTINUED

Capital assets are recorded as capital expenditures at the time of purchase in the find financial statements and are subsequently capitalized on the government-wide statements through an adjustment to the governmental activities column.

The Uniform Accounting Procedures prescribed for Michigan County Road Commissions provide for recording depreciation in the General Operating Fund as a charge to various expense accounts and a credit to the depreciation contra expense account. Accordingly, the annual depreciation expense does not affect the available operating fund balance of the General Operating Fund of the Road Commission.

Depreciation is recorded over the estimated useful lives (ranging from five to fifty years) of the assets, using the sum-of-years digits method for road equipment and straight-line method for all other capital assets and infrastructure as follows:

Buildings and improvements	40 years
Equipment	5-8 years
Infrastructure	8-50 years

MENTAL HEALTH - COMPONENT UNIT

Capital assets, which include furniture, fixtures, and equipment, are reported in the government column in the government-wide financial statements. Capital assets are defined by the Authority as individual assets with an initial cost equal to or more than \$500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized. No interest expense was incurred during the current year.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Authority are depreciation using the straight-line method over the following estimated useful lives:

Furniture, fixtures and equipment	3 - 20 years
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16. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

17. Accrued Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Compensated absences of the primary government that are allowed to accumulate are charged to operation in the Flexible Benefits Insurance Fund (an Internal Service fund) as the benefits accrue.

Compensated absences for the Road Commission (component unit) are included as the current portion of the liability for vacation and sick leave benefits as an expenditure and liability in the Road Commission Fund. The long-term portion is recorded in the general long-term debt account group within the Road Commission Fund.

Vested vacation and sick leave earned as of September 30, 2002 for St. Joseph Community Mental Health Services (component unit) is recorded in the component unit's government-wide financial statements.

18. Deferred Revenue

Deferred revenue consists of amounts related to long-term special assessment tax receivables recorded at the fund level that are not available to finance current period expenditures and are therefore deferred.

19. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds and component units, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Internal Service Funds are used to record charges for services to all County departments and funds as operating transfers or operating revenue. All County funds record these payments to the Internal Service Funds as operating transfers or operating expenditures/expenses.

20. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown in the financial statements were prepared on a basis consistent with the modified accrual basis used to reflect actual results. The County employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a. By November of each year, the County Administrator submits the proposed operating budgets for the calendar year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. By December of each year, the budgets are legally enacted through passage of an annual budget resolution.
- d. The budgets are legally adopted at the activity level for the General Fund and the fund level for the Special Revenue. For control purposes, General Fund is maintained at the activity and account level and Special Revenue Funds are maintained at the functional level.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

20. Budgets and Budgetary Accounting - continued

- e. The County employs encumbrance accounting as an extension of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.
- f. Budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material to the original appropriations that were adopted.
- g. The remaining budgetary requirements as set forth by the County are detailed within their budget document.

21. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

22. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

23. Accounting Change

As of January 1, 2003, the County implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the County's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the County's activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets include assets in the amount of \$15,196,982, which was previously reported in the General Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the County's applicable capital assets.
- Long-term obligations reported on the statement of net assets include \$18,621, which was previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

This implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and interfund balances and transactions, and various other disclosures.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE B: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT**

The County utilizes pooled cash accounts for approximately thirty-eight funds. Cash overdrafts of individual funds as of December 31, 2003, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
General Fund	<u>\$(5,208,151 )</u>	<u>\$ 1,318,249</u>	<u>\$(3,889,902 )</u>

**NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The County utilizes various pooled cash accounts and investments for approximately 38 funds. The County's pooled cash and investments consist of a common checking account, savings, certificates of deposit, and mutual funds.

The County's pooled cash and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, Trust and Agency Funds, and Component Unit Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption in the applicable balance sheet/statement of net assets.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit and mutual funds are separately held by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

Federal Deposit Insurance Corporation (FDIC), FSLIC, and NCUA regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

As of December 31, 2003, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 1,504,466	\$ 1,554,135
Savings	1,123,634	1,118,799
Certificates of deposit	<u>1,514,239</u>	<u>1,514,239</u>
Total primary government	4,142,339	4,187,173
FIDUCIARY FUNDS		
Checking	249,285	254,094
Savings	<u>2,486,174</u>	<u>2,486,272</u>
Total fiduciary funds	2,735,459	2,740,366
COMPONENT UNITS		
Checking	3,544,080	4,202,465
Savings	<u>82,729</u>	<u>82,734</u>
Total component units	<u>3,626,809</u>	<u>4,285,199</u>
TOTAL REPORTING ENTITY	<u>\$10,504,607</u>	<u>\$11,212,738</u>

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of December 31, 2003, the primary government, component units, and fiduciary fund accounts were insured by the FDIC, FSLIC or NCUA for \$790,693 and the amount of \$10,422,045 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

As of December 31, 2003, the market values, which are the carrying values for each investment, are as follows:

<u>INVESTMENT TYPE</u>	<u>Market Value</u>
PRIMARY GOVERNMENT	
Insured or registered for which the securities are held by the County's agent in the County's name -	
U.S. Treasury Bills	\$13,068,902
U.S. Government Securities	<u>3,214,841</u>
	16,283,743

## NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

<u>INVESTMENT TYPE</u>	<u>Market Value</u>
PRIMARY GOVERNMENT - CONTINUED	
Uncategorized pooled investment funds	\$ 1,301,966
Uncategorized pooled investment funds - fiduciary	<u>13,158,874</u>
	<u>14,460,840</u>
	<u>\$30,744,583</u>

The County has investments purchased for the County employee's Pension Trust Fund through one (1) bank. Michigan Compiled Law, Section 38.1121, authorizes the County to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types. As of December 31, 2003, the market value, which is the carrying amount of the pension trust plan assets were \$13,158,874.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2003:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 5,041,011	\$ 3,365,041	\$ 2,844,138	\$11,250,190
Cash and cash equivalents - restricted	-	263,928	-	263,928
Investments	<u>16,783,743</u>	<u>-</u>	<u>13,050,195</u>	<u>29,833,938</u>
	<u>\$21,824,754</u>	<u>\$ 3,628,969</u>	<u>\$15,894,333</u>	<u>\$41,348,056</u>

The primary government cash and cash equivalents caption on the Statement of Net Assets includes \$10,525 in imprest cash and component units had \$2,160. The Community Corrections Advisory Board Fund, Victims Rights Advocate Fund, and Commission on Aging Fund portion of pooled cash and cash equivalents presented above is as of December 31, 2003. However, their financial statements have been presented as of September 30, 2003, which results in a timing difference of \$86,181 for the primary government.

**NOTE D: INTERFUND TRANSFERS**

Reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component units have been eliminated.

<u>Fund</u>	<u>Primary Government</u>		<u>Component Units</u>			
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers from Component Units</u>	<u>Transfers to Primary Government</u>	<u>Transfers from Primary Government</u>	<u>Transfers to Component Units</u>
Primary Government						
General	\$ 107,248	\$ 532,114	\$ -	\$ -	\$ -	\$ 222,980
County facilities maintenance	193,667	87,574	-	-	-	-
Central Dispatch	-	213,058	-	-	-	-
Non-major governmental funds	695,613	193,389	-	-	-	-
Delinquent tax revolving	-	27,523	-	-	-	-

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE D: INTERFUND TRANSFERS - CONTINUED**

Fund	Primary Government		Component Units			
	Transfers In	Transfers Out	Transfers from Component Units	Transfers to Primary Government	Transfers from Primary Government	Transfers to Component Units
Component Units						
Drainage Districts	\$ -	\$ -	\$ 81,573	\$ -	\$ -	\$ 81,573
Economic Development	-	-	-	-	47,130	-
Mental Health	-	-	-	-	192,980	-
Road Commission	-	-	-	-	30,000	-
	<u>\$ 996,528</u>	<u>\$ 1,053,658</u>	<u>\$ 81,573</u>	<u>\$ -0-</u>	<u>\$ 270,110</u>	<u>\$ 304,553</u>

The difference of \$10,000 was from the General Fund which transferred funds to the Victims Rights Advocate Fund in November 2003, and the Victims Rights Advocate Fund was reported as a September 30 year-end fund.

**NOTE E: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2003 was as follows:

**Primary Government**

	Restated Balance Jan. 1, 2003	Additions	Deletions	Balance Dec. 31, 2003
<b>Governmental activities</b>				
Land and land improvements	\$ 1,038,490	\$ 19,134	\$ 4,119	\$ 1,053,505
Buildings and additions	11,545,604	60,806	15,213	11,591,197
Vehicles and equipment	2,806,374	203,226	146,655	2,862,945
Construction in progress	-	206,278	-	206,278
Totals at historical cost	15,390,468	489,444	165,986	15,713,925
Less accumulated depreciation for:				
Land improvements	( 345,551 )	( 50,116 )	( 3,590 )	( 392,077 )
Buildings and additions	( 6,082,895 )	( 158,987 )	( 6,954 )	( 6,234,928 )
Vehicles and equipment	( 1,607,187 )	( 252,613 )	( 107,517 )	( 1,752,283 )
Total accumulated depreciation	( 8,035,633 )	( 461,716 )	( 118,061 )	( 8,379,288 )
Capital assets, net	<u>\$ 7,354,835</u>	<u>\$ 27,728</u>	<u>\$ 47,925</u>	<u>\$ 7,334,637</u>
<b>Business-type activities</b>				
Vehicles and equipment	16,739	-	-	16,739
Less accumulated depreciation for:				
Vehicles and equipment	( 5,250 )	( 1,620 )	-	( 6,870 )
Capital assets, net	<u>\$ 11,489</u>	<u>\$ ( 1,620 )</u>	<u>\$ -0-</u>	<u>\$ 9,869</u>



St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE E: CAPITAL ASSETS - CONTINUED**

**Component Units**

	Restated Balance Jan. 1, 2003	Additions	Deletions	Balance Dec. 31, 2003
<b>Component Unit - Drainage Districts</b>				
Drains	\$ 1,239,319	\$ -	\$ -	\$ 1,239,319
Construction in progress	-	63,569	-	63,569
	1,239,319	63,569	-0-	1,302,888
Less accumulated depreciation for:				
Drains	( 256,049 )	( 30,983 )	-	( 287,032 )
Capital assets, net	\$ 983,270	\$ 32,586	\$ -0-	\$ 1,015,856
<b>Component Unit - Economic Development</b>				
Vehicles and equipment	4,172	2,793	-	6,965
Less accumulated depreciation for:				
Vehicles and equipment	( 3,002 )	( 1,273 )	-	( 4,275 )
Capital assets, net	\$ 1,170	\$ 1,520	\$ -0-	\$ 2,690
<b>Component Unit - Road Commission</b>				
Capital assets not being depreciated				
Infrastructure - Land/Right-of-Way	\$ 213,365	\$ 5,385	\$ -	\$ 218,750
Infrastructure - Land Improvements	6,054,994	668,178	-	6,723,172
Totals at historical cost - nondepreciable assets	6,268,359	673,563	-0-	6,941,922
Capital assets being depreciated				
Buildings	1,089,091	3,011	2,412	1,089,690
Road Equipment	6,249,623	513,787	-	6,763,410
Shop Equipment	261,680	4,272	924	265,028
Office Equipment	115,432	34,251	1,532	148,151
Engineer's Equipment	57,181	3,180	3,180	57,181
Yard and Storage	24,355	-	-	24,355
Depletable assets	130,309	-	-	130,309
Infrastructure	32,059,891	2,464,228	-	34,524,119
Totals at historical cost - depreciable assets	39,987,562	3,022,729	8,048	43,002,243
Less accumulated depreciation for:				
Building	( 440,444 )	( 29,432 )	( 796 )	( 469,078 )
Equipment	( 5,258,483 )	( 575,367 )	( 3,251 )	( 5,830,599 )
Depletable assets	( 55,437 )	( 2,100 )	-	( 57,537 )
Infrastructure	( 15,987,380 )	( 1,317,940 )	-	( 17,305,320 )
Total accumulated depreciation	( 21,741,742 )	( 1,924,839 )	( 4,047 )	( 23,662,534 )
Capital assets being depreciated, net	18,245,820	1,097,890	4,001	19,339,709
Total capital assets, net	\$ 24,514,179	\$ 1,771,453	\$ 4,001	\$ 26,281,631

St. Joseph County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE E: CAPITAL ASSETS - CONTINUED**

**Component Units - continued**

	Restated Balance Jan. 1, 2003	Additions	Deletions	Balance Dec. 31, 2003
<b>Component Unit - Mental Health</b>				
Furniture, fixtures, and equipment	\$ 656,384	\$ 12,297	\$ 40,145	\$ 628,536
Less accumulated depreciation for: Furniture, fixtures, and equipment	( 504,398 )	( 41,954 )	( 40,145 )	( 506,207 )
Capital assets, net	<u>\$ 151,986</u>	<u>\$( 29,657 )</u>	<u>\$ -0-</u>	<u>\$ 122,329</u>

**NOTE F: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portions) of the County for the year ended December 31, 2003:

	Restated Balance Jan. 1, 2003	Additions	Deletions	Balance Dec. 31, 2003	Amounts Due Within One Year
<b>PRIMARY GOVERNMENT</b>					
Truck Loan	\$ 18,621	\$ -	\$ 5,819	\$ 12,802	\$ 6,984
<b>COMPONENT UNITS</b>					
Board of Public Works					
Water and sewer bonds	4,775,000	-	485,000	4,290,000	185,000
Drainage Districts					
Drain notes	516,674	213,000	95,189	634,485	96,492
Mental Health Services					
Accrued vacation and sick	127,193	11,188	-	138,381	-
Road Commission					
Installment leases	583,185	165,296	204,041	544,440	302,588
Accrued vacation and sick	116,640	9,500	-	126,140	30,800
	<u>699,825</u>	<u>174,796</u>	<u>204,041</u>	<u>670,580</u>	<u>333,388</u>
<b>TOTAL COMPONENT UNITS</b>	<u>6,118,692</u>	<u>398,984</u>	<u>784,230</u>	<u>5,733,446</u>	<u>614,880</u>
<b>TOTAL REPORTING ENTITY</b>	<u>\$ 6,137,313</u>	<u>\$ 398,984</u>	<u>\$ 790,049</u>	<u>\$ 5,746,248</u>	<u>\$ 621,863</u>

**PRIMARY GOVERNMENT**

**Direct County Obligation - Truck Loan**

St. Joseph County Loan dated August 29, 2002 for a truck, 36 monthly payments of \$582 at a zero percent interest rate.

\$ 12,802

## NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE F: LONG-TERM DEBT - CONTINUED**

## COMPONENT UNIT - BOARD OF PUBLIC WORKS

Indirect County Obligations - Water and Sewer Bonds

The County has irrevocably pledged its full faith and credit as collateral for the following water and sewer system bonds. These projects are administered by the St. Joseph County BPW in conjunction with local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, provide the monies required to meet the principal and interest on the water and sewer system bonds.

Bonds payable at December 31, 2003, per respective construction projects serviced from the Component Unit Debt Service Funds of the Board of Public Works are as follows:

St. Joseph County Sanitary Sewer System #8, Series 1989 Refunding Bonds maturing serially through 2009 in annual amounts ranging from \$15,000 to \$35,000, with interest rates ranging from 6.60 to 7.50 percent.	\$ 200,000
St. Joseph County Limited Tax General Obligation, Wastewater System #10 & 11, Series 1997 Bonds maturing serially through 2017 in annual amounts ranging from \$75,000 to \$80,000, with interest rates ranging from 4.70 to 7.00 percent.	1,075,000
St. Joseph County Limited Tax General Obligation, Water Supply System #13, Series 1997 Bonds maturing serially through 2017 in annual amounts ranging from \$5,000 to \$15,000, with interest rates ranging from 5.25 to 6.875 percent.	195,000
St. Joseph County Limited Tax General Obligation, Sewage Disposal System #14, Series 1998 Bonds maturing serially through 2017 in annual amounts ranging from \$60,000 to \$130,000, with interest rates ranging from 5.00 to 6.70 percent.	1,310,000
St. Joseph County Limited Tax General Obligation, Sanitary Sewer #15, Series 2002 Bonds maturing serially through 2022 in annual amounts ranging from \$5,000 to \$130,000, with interest rates ranging from 4.35 to 5.10 percent.	<u>1,510,000</u>
	<u>\$ 4,290,000</u>

## COMPONENT UNIT - DRAINAGE DISTRICTS

Drain Notes

The County has irrevocably pledged its full faith and credit as collateral for the following drain notes. These projects are administered by the St. Joseph County Drain Commission for various local drainage districts. The drain notes were issued to finance the various Construction Funds for the purpose of paying costs in connection with various drainage district projects and are payable out of assessments to be made against the benefited properties.

Notes payable at December 31, 2003, per respective Drain projects serviced from the Capital Projects Funds of the Component Unit Drainage Districts are as follows:

St. Joseph County Loan with Citizens Commercial & Savings Bank dated August 14, 1995 for Fund Lake Land Project (Fish Lake), nine annual payments of \$21,357 at an interest rate of 7.00 percent.	\$ 33,985
St. Joseph County Loan with Citizens Bank dated September 30, 1998 for Lake Level Special for Palmer and Long Lakes (Lamberson Dam), ten annual payments of \$77,500 at an interest rate of 4.125%.	387,500

## NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE F: LONG-TERM DEBT - CONTINUED**

## COMPONENT UNIT - DRAINAGE DISTRICTS - CONTINUED

Drain Notes - continued

St. Joseph County with Century Bank and Trust dated June 9, 2003 for Grover and Coohon Drain, six annual payments ranging from \$18,877 to \$21,086 at an interest rate of 2.95%. \$ 100,000

St. Joseph County with Century Bank and Trust dated June 9, 2003 for Portage Lake Drain, six annual payments ranging from \$21,337 to \$23,802 at an interest rate of 2.95%. 113,000

Total Drainage Districts Drain Notes \$ 634,485

## COMPONENT UNIT - MENTAL HEALTH SERVICES

Significant details regarding accumulated vacation and sick are presented below:

Accumulated Vacation and Sick

In accordance with the Mental Health Services personnel policies and/or contracts negotiated with various employee groups of the Authority, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts.

The dollar amount of these vested rights, including related payroll taxes, amounted to \$138,381 for vacation and sick at December 31, 2003. This amount, \$138,381, has been reported as a noncurrent liability.

## COMPONENT UNIT - ROAD COMMISSION

Installment Leases

The Road Commission has the following remaining installment lease contracts, each of which is secured by the related equipment, as follows:

<u>Equipment</u>	<u>Annual Installments Including Interest</u>	<u>Interest Rate</u>	<u>Due</u>
Caterpillar Excavator	\$ 23,177 - 122,500	4.75 %	July 1, 2004
Freightliner Asphalt Trucks (2)	34,710	5.37	March 1, 2004
CAT Wheel Loaders (3)	31,615	6.10	June 1, 2004
Wise International Trucks (5)	63,542 - 76,638	4.42	October 31, 2005
Caterpillar Motor Grader	29,360	4.75	March 1, 2006
MSG International Trucks (4)	45,248	3.73	June 15, 2007

For more information related to the Road Commission installment leases please see their separate audited financial statements.

Accumulated Vacation and Sick

In accordance with Commission personnel policies and/or contracts negotiated with various employee groups of the Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts.

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE F: LONG-TERM DEBT - CONTINUED**

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

Accumulated Vacation and Sick - continued

The dollar amount of these vested rights including related payroll taxes, amounted to \$126,140 at December 31, 2003. Of the \$126,140 total liability, \$30,800 has been reported as a current liability and \$95,340 has been reported as a noncurrent liability.

REPORTING ENTITY TOTALS

The annual requirements to pay the debt principal and interest outstanding for the following Bonds, Notes, and loans are as follows:

Year Ending September 30,	Primary Government	
	Truck Loan	
	Principal	Interest
2004	\$ 6,984	\$ -
2005	5,818	-
	<u>\$ 12,802</u>	<u>\$ -0-</u>

Year Ending September 30,	Component Units					
	Drainage Districts		Board of Public Works		Road Commission	
	Drain Bonds and Notes		Water and Sewer Bonds		Installment Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 96,492	\$ 24,633	\$ 185,000	\$ 212,570	\$ 302,588	\$ 24,388
2005	132,495	20,107	200,000	202,739	128,150	10,000
2006	118,899	14,688	220,000	192,218	70,081	4,527
2007	120,121	10,270	230,000	180,640	43,621	1,627
2008	121,378	5,816	240,000	168,497	-	-
2009-2013	44,888	1,490	1,285,000	651,129	-	-
2014-2018	-	-	1,425,000	295,151	-	-
2019-2022	-	-	505,000	51,421	-	-
	<u>\$ 634,485</u>	<u>\$ 77,004</u>	<u>\$ 4,290,000</u>	<u>\$ 1,954,365</u>	<u>\$ 544,440</u>	<u>\$ 40,542</u>

**NOTE G: SHORT-TERM DEBT**

During the year ended December 31, 2003, the County issued \$16,000 of short-term drain notes. The notes are used for drain related projects within the County.

	Balance Jan. 1, 2003	Additions	Deletions	Balance Dec. 31, 2003
Short-term drain notes	\$ -	\$ 16,000	\$ -	\$ 16,000

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE H: EMPLOYEE RETIREMENT SYSTEM**

RETIREMENT SYSTEM - SHERIFF DEPARTMENT

The County Sheriff's department (POAM and administration employees only) participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer public retirement system. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917. All County Sheriff employees are covered by the retirement system as long as they meet the eligibility requirements detailed by the plan.

The benefits and conditions outlined below are for general information only. Public Act 427 of 1984, as amended, covers the benefits and conditions of the Municipal Retirement systems.

Normal Retirement:

25 or more years of credited service

Deferred Retirement:

The termination of membership before age 60, other than by retirement or death, after 8 or 10 years of credited service is considered a deferred retirement. Retirement allowance begins upon application and satisfaction of normal retirement requirements. The retirement allowance is computed in the same manner as a service retirement with the applicable benefit program being determined as of the date of termination of membership.

Rights to an allowance are forfeited if the member's accumulated contributions are withdrawn.

Benefit allowances are computed based on the applicable criteria as detailed within the plan. Death and disability benefits are also provided.

Funding Policy

For the POAM units, the County is required to contribute the first 11% of covered compensation based on actuarial requirements and the employees contribute all amounts above the 11% maximum percentage. For the administration units, the County is required to contribute up to preestablished limits.

Annual Pension Cost

For the year ended December 31, 2003 the County's annual pension cost for this MERS plan was \$227,469. The plan payments were equal to the County's required contribution. The annual required contribution was determined as part of an actuarial valuation of the plan as of December 31, 2001, using the entry actual age cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases ranging from 0.0% to 4.5% per year, based on an age-related scale to reflect merit, longevity, and promotional salary increases. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

## RETIREMENT SYSTEM - SHERIFF DEPARTMENT - CONTINUED

Three (3) year trend information

	Year Ended December 31,		
	<u>2000</u>	<u>2001</u>	<u>2002</u>
Actuarial value of assets	\$ 5,712,204	\$ 6,214,201	\$ 6,510,580
Actuarial accrued liability (AAL) (entry age)	6,260,193	6,874,506	7,359,941
Unfunded AAL	547,989	660,305	849,361
Funded ratio	91%	90%	88%
Covered payroll	1,764,263	1,819,067	1,957,738
UAAL as a percentage of covered payroll	31%	36%	43%
Annual pension cost	198,436	214,568	227,469
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

## RETIREMENT SYSTEM - COUNTY GENERAL

The County's defined benefit pension plan, the St. Joseph County Employees' Retirement Plan, is a single-employer plan administered by the St. Joseph County Employees Retirement System Board of Trustees. The plan covers substantially all full-time employees with the following exceptions: Commission on Aging employees, Sheriff Department union and administrative staff, Road Commission employees and the St. Joseph County Mental Health employees. The plan was adopted and established by St. Joseph County effective December 31, 1967 under authority of section 12a of Public Act 156 of 1851, as amended. The System's financial statements are included in the combined financial statements of St. Joseph County as a pension trust fund. The County does not issue a stand-alone report for its Employees' Retirement System. The most recent period for which actuarial data was available was for the calendar year ended December 31, 2002.

Benefits

The retirement system pension plan provides retirement, deferred allowances, disability, and death benefits to plan members and their beneficiaries in accordance with the County's retirement pension ordinance. Retiree health care benefits are paid for by the retirees on a reimbursement basis to the County. At December 31, 2002, there were 137 active members in the pension plan.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable, in accordance with the plan.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

## RETIREMENT SYSTEM - COUNTY GENERAL - CONTINUED

Funding Policy

The financial objective of the retirement system is to receive contributions each fiscal year which are sufficient to: (i) fund the actuarial cost of benefits likely to be paid on account of credited service earned by members during the fiscal year; and (ii) fund the unfunded actuarial cost of benefits likely to be paid on account of credited service earned by members prior to the fiscal year over a period of not more than 40 years. Contribution requirements shall be determined by annual actuarial valuation using a generally recognized level percent of payroll actuarial cost method. The board of trustees shall certify to the board of county commissioners the amount of annual contribution needed to meet the financial objective and the board of commissioners shall appropriate and cause the contribution to be paid to the retirement system. Plan members are not required to contribute to the plan.

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. Periodic employer contributions to the pension plan are determined on an actuarial basis using an entry age actuarial funding method. Normal cost is funded on a current basis. The new liabilities for benefit and assumption changes were amortized over a 24-year period. Other unfunded actuarial accrued liabilities (asset surpluses) were being amortized as a level percent of member payroll over a rolling period of 10 years.

## SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (a/b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
12/31/00	\$ 12,991,690	\$10,175,953	\$(2,815,737 )	127.7	\$ 3,725,449	75.6
12/31/01	13,246,678	11,433,055	( 1,813,623 )	115.9	3,988,604	45.5
12/31/02	13,102,791	12,466,468	( 636,323 )	105.1	4,159,830	15.3

## SCHEDULE OF EMPLOYER CONTRIBUTIONS

Plan Year Ended Dec. 31,	Annual Recommended Contribution	Actual Contributions	Percentage Contributed
2002	\$ 94,626	\$ 106,968	2.54 %
2001	52,771	56,864	1.47
2000	-	-	N/A

RETIREMENT SYSTEM - COUNTY COMMISSION ON AGING

The St. Joseph County Commission on Aging established a defined contribution pension plan (Simplified Employee Pension) with Fifth Third Bank (effective June 8, 1988) and Edward Jones, Inc. Eligible employees who are full time and have worked one year or are part-time and have worked at least three years and earned over \$500 per year are eligible for this plan. Plan provisions and contribution requirements are established and may be amended by the board. During the year ended September 30, 2002, the Commission on Aging's required and actual contributions amounted to \$26,905. Members are not required to contribute to the plan. Pension fund contributions are based on a fixed weekly rate for each employee covered by the personnel policy. There were 29 employees covered under this plan during 2003.



NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

RETIREMENT SYSTEM - ROAD COMMISSION (COMPONENT UNIT)

The St. Joseph County Road Commission established the St. Joseph County Road Commission Money Purchase Pension Plan, a defined contribution plan on October 15, 1981. The plan, established to meet the requirements of Public Act 29 of 1943, covers substantially all employees of the Road Commission. The Road Commission is required to contribute 6% of covered payroll at the end of each plan year. Employees do not contribute to the plan. Fifth Third Bank and Trust Company, Trust Department, Kalamazoo, Michigan, is the trustee and administers the pension plan.

Plan provisions and contribution requirements are established and may be amended by the board of county road commissioners. To be eligible to participate in the plan, employees are required to have completed 12 consecutive months of service during which they have at least 1,000 hours of service. Upon termination of employment for reasons other than retirement, total and permanent disability, or death, a participant is entitled to receive 100% of the participant's amount representing the vested percentage of the balance in the participant's employer contribution account at the date of termination of employment. The Road Commission's contributions for each employee (and interest allocated to the employee's account) are partially vested after three (3) years of continuous service and fully vested after seven (7) years of continuous service. For the plan year ended October 31, 2003, the Road Commission contributed \$95,031 (representing 6% of covered payroll) to the plan.

RETIREMENT SYSTEM - MENTAL HEALTH SERVICES (COMPONENT UNIT)

The Authority contributes to a defined contribution plan for the majority of its employees. The name of this plan is the "Community Mental Health Services of St. Joseph County Pension Plan".

This pension plan is a money purchase pension plan, which was effective February 1, 1989.

The Authority is required to contribute an amount equal to 5% of union members' compensation, and 9.5% of all other eligible employees' compensation for the year.

For the year ended September 30, 2003, the Authority's contribution to this plan totaled \$119,680.

Effective January 1, 2001, the Authority adopted the St. Joseph County Community Mental Health Social Security Alternative Plan.

The Authority will contribute 6.2% of all non-union personnel's salary into this plan. Employees are also required to contribute 6.2% of their salary into this plan. Contributions are required for wages earned up to the Social Security Maximum Base.

The Authority will contribute 6.2% of all union personnel's salary into this plan for those employees who voluntarily contribute 6.2% into the Authority's Code Section 457 Plan. For those union employees not electing coverage in the Alternative Social Security Plan, they are subject to all provisions of the Social Security System.

**NOTE I: CONTINGENT LIABILITIES**

The County participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the State programs have not yet been completed or final resolution has not been received. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE I: CONTINGENT LIABILITIES - CONTINUED**

There are various legal actions pending against the County. Due to the inconclusive nature of many of the actions, it is not possible for Legal Counsel to determine the probable outcome or a reasonable estimate of the County's potential liability, if any. Those actions for which a reasonable estimate can be determined of the County's potential liability and that would not be covered by insurance and reserves, if any, are considered by County Management and Legal Counsel to be immaterial.

**NOTE J: ROAD COMMISSION FEDERAL GRANTS**

Governmental and certain other entities which expend \$300,000 or more of direct federal dollars are subject to a single audit in accordance with the OMB Circular A-133. The Road Commission expended \$429,921 of federal dollars which were passed through and administered by the Michigan Department of Transportation and included in the State's Single Audit. If a Single Audit had been necessary it would have been performed and the report would have been issued under a separate cover and those funds would be excluded from the County's Single Audit.

**NOTE K: RISK MANAGEMENT**

The County is a voluntary member of the Michigan Municipal Risk Management Authority which is organized under Public Act 138 of 1982, as amended as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately.

The administration of the Authority is directed by a nine (9) member Board of Directors composed of municipal representatives from the membership elected by the membership. The Board establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered with the authority to impose sanctions or terminate membership. The County, by resolution of the County Board of Commissioners, has designated a representative to the Authority to be responsible for the execution of all loss control measures, to ensure the payment of all annual and supplementary or other payment requirements, to ensure the filing of all required reports, and to act as a liaison between the County and the Authority.

The Authority provides risk management, underwriting, reinsurance, and claim services with member contributions allocated to meet these obligations. The Authority administers a risk management fund providing St. Joseph County with loss protection for general and auto liability, motor vehicle physical damage, and property damage. Under most circumstances the County's maximum loss per occurrence is limited as follows:

<u>Type of Risk</u>	<u>Maximum Retention Per Occurrence</u>
General and auto liability	\$ 75,000
Motor vehicle physical damage	15,000
Property coverage	10,000

The Authority has established a Retained Risk Program to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that losses are incurred in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess. The Authority may authorize dividends to individual members in the event that the members and individual fund balance is determined to be sufficient to do so.

Liability insurance claims are expenses as incurred. The liability is determined by the Michigan Municipal Risk Management Authority management based on an actuarial study performed using historical data and available insurance industry statistics. The liability includes a reserve for reported claims, and reported legal expenses as well as incurred but not reported claims.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE K: RISK MANAGEMENT - CONTINUED**

The Authority has reserved fund balance to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that St. Joseph County incurs a loss in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess.

In addition, the Authority has accumulated resources to create and fund an internal Stop Loss Fund. The Stop Loss Fund was initiated to eliminate the need to purchase aggregate reinsurance for aggregate losses paid in excess of \$209,000, net of reinsurance recoveries for any one member in any one year. Aggregate paid losses in excess of \$209,000 net of reinsurance recoveries are paid entirely from the Internal Stop Loss Fund. If at any time the Stop Loss Fund is insufficient to fund St. Joseph County's losses, the remaining liability shall become the responsibility of the Authority as a whole.

At December 31, 2003, the County had reserves for reported claims of \$104,866 on deposit with the Authority.

The County also participates in a pool, the Michigan Counties' Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The County has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

Community Mental Health Services (Component Unit)

Community Mental Health Services (the Authority) is exposed to risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has purchased commercial insurance from independent insurance providers. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

Road Commission (Component Unit)

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool ("Pool") established pursuant to the laws of the State of Michigan which authorizes contracts between municipal corporations (inter local agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Michigan County Road Commission Self-Insurance Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions, which includes, but is not limited to, general liability coverage, auto liability coverage, property insurance coverage, stop loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The St. Joseph County Road Commission pays an annual premium to the Pool for general liability, excess liability, errors and omissions, auto liability, auto comprehensive, auto collision, equipment and building and contents.

The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the liability Pool Board.

The Road Commission is also self-insured for workers' compensation as a member of the County Road Association Self-Insurance Fund. The estimated amount of the IBNR, or "Incurred But Not Reported" claims associated with the self-insurance arrangements is not considered to be material at December 31, 2003.

The Road Commission continues to carry commercial insurance for all other risks of loss, including life insurance, health program, data processing, commercial crime and boiler and machinery. Settled claims have not exceeded insurance coverage for the last three years.

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE L: PROPERTY TAXES AND TAXES RECEIVABLE**

The County property tax is levied each December 1 on the taxable valuation of property located in the County as of the preceding December 31.

The County's 2003 ad valorem tax was levied and collectible on December 31, 2003. It is the County's policy to recognize revenues from the tax levy in the year when the proceeds of the levy are budgeted and made available for the financing of County operations. As a result, the County's 2002 tax levy has been recognized as revenue in the current fiscal year. The 2003 taxable value of St. Joseph County amounted to \$1,358,546,256 on which ad valorem taxes levied for County general operating purposes consisted of 4.5997 mills. The County Central Dispatch, Commission on Aging, and Road Commission levied .6218, .3333, and .9569, respectively.

Taxes are collected by the various tax collecting units from the date of the levy and remitted to the County through the Trust and Agency Fund for distribution to the General, Central Dispatch, Commission on Aging, and Road Commission (component unit) Funds. The property taxes levied December 1 are accrued as current tax receivable with the appropriate deferral, and are budgeted as revenue in the subsequent year in the General, Central Dispatch, and Road Commission (component unit) Funds. No receivable/deferral is recorded in the Commission on Aging (Special Revenue) Fund because that fund has a September 30 fiscal year end.

Taxes receivable recorded in the respective funds at December 31, 2003, are as follows:

<u>Taxes Receivable</u>	<u>General</u>	<u>Special Revenue Central Dispatch</u>	<u>Enterprise Tax Payment Fund</u>	<u>Total</u>
Current	\$ 6,495,871	\$ 882,022	\$ -	\$ 7,377,893
Delinquent	<u>56,275</u>	<u>-</u>	<u>1,860,195</u>	<u>1,916,470</u>
	<u>\$ 6,552,146</u>	<u>\$ 882,022</u>	<u>\$ 1,860,195</u>	<u>\$ 9,294,363</u>

The delinquent taxes receivable represents unpaid real property taxes in the Tax Payment Fund.

By agreement with the various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1, and records a corresponding delinquent taxes receivable.

**NOTE M: FUND EQUITY RESERVES AND DESIGNATIONS**

Reserved fund balance and retained earnings are used to earmark a portion of fund equity to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance which the County has set aside for specific purposes.

The following are the various fund balance reserves as of December 31, 2003:

PRIMARY GOVERNMENT

General Fund

Reserved for

Prepayments

Inventory

Animal Control

\$ 83,785  
48,179  
22,095

154,059

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE M: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED**

PRIMARY GOVERNMENT - CONTINUED

Special Revenue Funds	
Parks and Recreation	
Reserved for prepayments	\$ 2,852
Central Dispatch	
Reserved for prepayments	10,803
Commission on Aging	
Reserved for prepayments	9,413
Reserved for inventory	5,158
Secondary Road Patrol	
Reserved for prepayments	3,549
Victim's Rights Advocate	
Reserved for prepayments	613
Meyer Broadway Services	
Reserved for prepayments	<u>243</u>
	32,631
Permanent Fund	
Nonexpendable Trust Fund	
Cemetery	
Reserved for cemetery maintenance	<u>14,352</u>
TOTAL PRIMARY GOVERNMENT	201,042
COMPONENT UNITS	
Drainage Districts	
Lamberson Dam	
Reserved for debt service	151,233
Fish Lake Drain	
Reserved for debt service	<u>18,862</u>
TOTAL COMPONENT UNITS	<u>170,095</u>
	<u>\$ 371,137</u>

The following are fund balance designations as of December 31, 2003:

PRIMARY GOVERNMENT

Capital Projects Funds	
County Facilities Maintenance	
Designated for capital projects	\$ 3,192,857

COMPONENT UNITS

Board of Public Works	
Capital Projects	
Constantine Village Sewer System Construction	
Designated for capital expenditures	82,729
Drainage District	
Capital Projects	
Long Lake Level - Fabius Revolving	
Designated for capital expenditures	6,178

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE M: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED**

COMPONENT UNITS - CONTINUED

Drainage District - continued	
Capital Projects - continued	
Regular Drain	
Designated for capital expenditures	\$ 134,613
Klinger Lake Level Special Assessment	
Designated for capital expenditures	743
Drain Revolving Maintenance	
Designated for capital expenditures	18,708
Palmer/Long Lake Revolving	
Designated for capital expenditures	122,365
Eberhard Lake Level Special Assessment	
Designated for capital expenditures	4,312
Grey Lake Study	
Designated for capital expenditures	1,179
Revolving Drain Maintenance	
Designated for capital expenditures	<u>8,382</u>
	296,480
TOTAL COMPONENT UNITS	<u>379,209</u>
TOTAL REPORTING ENTITY	<u>\$ 3,572,066</u>

The following are the various retained earnings designation as of December 31, 2003:

Enterprise Funds	
Tax Payment Fund	
Designated for future tax notes	<u>\$ 800,000</u>

**NOTE N: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2003:

PRIMARY GOVERNMENT

Governmental activities	
Restricted for	
Public safety	
Central dispatch	\$ 812,512
Central dispatch wireless	210,849
Traffic safety	105,006
Drug law enforcement	56,565
Community corrections advisory board	25,898
Community corrections program	102,600
Secondary road patrol	40,148
Law enforcement	112,725
Sheriff's justice training	6,266
Animal shelter donations	<u>8,300</u>
	<u>\$ 1,480,869</u>

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE N: RESTRICTED NET ASSETS - CONTINUED**

PRIMARY GOVERNMENT - CONTINUED

Governmental activities - continued

Restricted for

Public safety

Capital improvements

\$ 3,192,857

Other purposes

Parks and recreation

\$ 62,170

Meyer Broadway services

57,768

Facilities and land acquisition

1,264

Friend of the Court

6,999

Family counseling

4,791

Court case flow assistance

17,181

Waste management

332,024

Commission on aging

284,792

FIA

65,637

FIA child care

10,833

Veterans' trust

1,160

Remonumentation

515

Veterans' memorial

1,842

Budget stabilization

1,431,700

Victims' rights advocates

20,902

Law library

5,267

CDBG housing

113,112

Child care probate

1,665

Board of Public Works administration

10,777

Cade Lake Park

1,813

Register of Deeds automation

25,560

Cemetery

14,352

Employee benefits

975

Animal Control

22,095

\$ 2,495,195

COMPONENT UNITS

Restricted for other purposes

Road Commission

Restricted for County roads

\$ 1,168,706

Community Mental Health

Restricted for health and welfare

1,211,949

Restricted for risk management

110,586

Board of Public Works

Restricted for capital improvement

82,729

Drainage Districts

Restricted for drain projects

160,049

Economic Development Corporation

Restricted for economic development

131,084

\$ 2,865,103

Restricted for Debt Service

Drainage Districts

\$ 161,838

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE O: PRIOR PERIOD ADJUSTMENTS**

The following prior period adjustment was made during the period, which was the result of a correction of an accounting error. This adjustment was reported as a change to the beginning fund balance and correspondingly the applicable net assets. The effect on operations and other affected balances for the current and prior period are as follows:

	<u>Dec. 31, 2002</u>	<u>Dec. 31, 2003</u>	<u>Description</u>
PRIMARY GOVERNMENT			
Central Dispatch	\$( 224,154 )	\$ -	To establish wireless fund
Central Dispatch - wireless	224,154	-	To establish wireless fund

**NOTE P: NONCANCELABLE OPERATING LEASES**

St. Joseph County Community Mental Health Services (component unit) Fund has entered into various operating leases for the use of real property, office equipment, and vehicles. Operating leases do not give rise to property rights or lease obligations, and therefore, the lease agreements are not reflected in the financial statements.

The following is a schedule of future minimum rental payments required under the operating leases that have initial or remaining noncancelable lease terms as of the Services' year ended September 30, 2003:

<u>Year Ending September 30,</u>	<u>Amount</u>
2004	\$ 408,372
2005	226,726
2006	146,586
2007	62,814

**NOTE Q: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

In the body of the financial statements, the County's budgeted expenditures in the General Fund and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the County have been adopted at the activity level for the General Fund and the total expenditure level for the major Special Revenue Funds.

During the year ended December 31, 2003, the County incurred expenditures in three (3) non-major Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Non-Major Funds			
Facilities and land acquisition	\$ -	\$ 25	\$ 25
Veterans trust	3,223	7,803	4,570
Secondary road patrol	117,905	123,352	5,447



NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE R: CONTRACTUAL COMMITMENTS**

The County has entered into a contract for the jail additions and renovations on the current building. This project was funded by the County Facilities Maintenance Fund. The amount of the contracted commitment outstanding as of December 31, 2003 is \$2,633,946 for which the County has fund equity available to cover these commitments.

The County has entered into a three year agreement "Contract Defender System Agreement" on January 7, 2003. The agreement calls for payments of \$362,500, and \$400,000 in years 2004, and 2005. It is anticipated that the County will have sufficient revenue to cover the cost through court fees and other General Fund revenue.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## St. Joseph County, Michigan

## General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES

Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current and delinquent property taxes	\$ 6,523,255	\$ 6,523,255	\$ 6,448,515	\$ (74,740)
Payments in lieu of taxes	1,000	1,000	2,310	1,310
Mobile home park taxes	5,000	5,000	4,931	(69)
Tax reverted lands	2,000	2,000	1,304	(696)
Expense of sale/Administrative fees	2,500	2,500	5,864	3,364
Total taxes	6,533,755	6,533,755	6,462,924	(70,831)
Licenses and permits				
Dog licenses	70,500	70,500	76,463	5,963
Marriage license fees	2,000	2,000	2,580	580
Gun permits	3,000	3,000	4,145	1,145
Total licenses and permits	75,500	75,500	83,188	7,688
Intergovernmental - Federal/State				
Emergency Management Assistance	20,000	20,000	23,683	3,683
Preparedness equipment grant	63,215	63,215	62,988	(227)
Preparedness supplemental grant	-	18,686	13,426	(5,260)
State homeland security grant	-	61,924	-	(61,924)
SCAAP grant	-	-	7,463	7,463
Emergency Planning - site plans	-	-	198	198
Live Scan fingerprint grant	-	25,496	25,496	-0-
FOC - CRP	411,040	411,040	407,862	(3,178)
FOC - incentive program	80,000	80,000	36,914	(43,086)
State cooperative reimbursement	24,956	24,956	23,708	(1,248)
State reimbursed child support	-	-	677	677
J.A.I.B.G. grant	7,843	7,843	9,160	1,317
Prosecutor - food stamp fraud grant	1,000	1,000	-	(1,000)
Prosecutor - CRP	91,093	91,093	62,868	(28,225)
Caseflow assistance grant	15,800	15,800	15,360	(440)
Victims' Rights	6,000	6,000	5,713	(287)
Juvenile officer grant	27,317	27,317	27,317	-0-
Probate court judge salary	94,195	94,195	101,622	7,427
Circuit court judge	45,724	45,724	45,724	-0-
District court judge	91,448	91,448	91,111	(337)
Probate court judge	45,724	45,724	45,724	-0-
Court equity	400,000	400,000	427,729	27,729
Revenue sharing - per capita	1,258,300	1,258,300	1,033,150	(225,150)
Revenue sharing - inventory	166,640	166,640	160,810	(5,830)
Convention facility tax	132,744	136,720	140,695	3,975

## St. Joseph County, Michigan

## General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Intergovernmental - Federal/State continued				
Cigarette tax	\$ 34,110	\$ 36,330	\$ 37,541	\$ 1,211
Liquor license	7,400	7,400	12,442	5,042
Marine safety grant	26,000	26,000	24,241	(1,759)
Judicial network	-	-	141	141
Total intergovernmental - Federal/State	3,050,549	3,162,851	2,843,763	(319,088)
Intergovernmental - local				
Traffic safety commission	-	-	364	364
Live Scan fingerprint grant - local	-	4,000	4,000	-0-
Total intergovernmental - Local	-0-	4,000	4,364	364
Charges for services				
Circuit Court costs	53,250	53,250	76,354	23,104
District Court costs	315,000	315,000	354,850	39,850
Probate / family court	77,533	77,533	75,465	(2,068)
Treasurer	2,270	2,270	3,700	1,430
Clerk	75,900	75,900	74,940	(960)
Register of deeds	462,675	462,675	607,600	144,925
Friend of the Court service fees	50,100	50,100	87,907	37,807
Sheriff department	266,100	266,100	240,691	(25,409)
Telephone commissions	65,600	65,600	73,796	8,196
Board of public works	16,000	16,000	-	(16,000)
Equalization	85,600	85,600	107,910	22,310
Central services	15,550	15,550	34,158	18,608
Animal control	8,500	8,500	10,181	1,681
Total charges for services	1,494,078	1,494,078	1,747,552	253,474
Interest and rents				
Interest on investments	331,600	331,600	181,099	(150,501)
Rental fees	7,700	7,700	4,344	(3,356)
Total interest and rents	339,300	339,300	185,443	(153,857)
Fines and forfeits				
District Court	392,000	392,000	431,169	39,169
County clerk	2,000	2,000	4,798	2,798
Animal control	4,000	4,000	4,900	900
Total fines and forfeits	398,000	398,000	440,867	42,867

## St. Joseph County, Michigan

## General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Other				
Reimbursements - workers' comp.	\$ -	\$ -	\$ 29,271	\$ 29,271
Reimbursements - gasoline	16,000	16,000	24,473	8,473
Reimbursements - insurance	-	-	7,479	7,479
Reimbursements - attorney fees	18,000	18,000	3,197	(14,803)
Reimbursements - visiting judge fees	-	-	7,005	7,005
Sale of capital assets	1,500	1,500	16,055	14,555
Sale of maps	28,800	28,800	22,882	(5,918)
Donations	-	21,000	20,225	(775)
Other	15,088	15,088	16,115	1,027
Total other	79,388	100,388	146,702	46,314
TOTAL REVENUES	11,970,570	12,107,872	11,914,803	(193,069)
OTHER FINANCING SOURCES				
Operating transfers from other funds				
Tax Payment Fund	-	31,600	27,523	(4,077)
Central Dispatch Fund	12,000	12,000	19,391	7,391
Friend of the Court Fund	6,700	6,700	6,700	-0-
State Court Caseflow Assistance Fund	-	4,277	1,515	(2,762)
Drug Law Enforcement Fund	40,000	40,000	40,000	-0-
Law Enforcement Fund	15,858	15,858	12,119	(3,739)
TOTAL OTHER FINANCING SOURCES	74,558	110,435	107,248	(3,187)
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 12,045,128</u>	<u>\$ 12,218,307</u>	<u>\$ 12,022,051</u>	<u>\$ (196,256)</u>

## St. Joseph County, Michigan

## General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY

Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General government				
Board of Commissioners	\$ 140,784	\$ 163,772	\$ 158,996	\$ 4,776
County Administrator	113,068	115,568	115,306	262
Elections	2,100	2,100	643	1,457
Finance	174,799	174,799	174,470	329
Clerk	302,515	310,562	310,348	214
Equalization	301,139	301,139	268,605	32,534
Human resources	100,451	100,451	49,722	50,729
G.I.S.	118,556	119,556	107,910	11,646
Prosecuting Attorney	630,203	630,203	588,156	42,047
Register of Deeds	187,773	189,180	176,897	12,283
Central services	339,373	360,373	359,292	1,081
Survey and remonumentation	108	108	108	-0-
Treasurer	204,736	236,336	226,134	10,202
MSU extension service	178,598	178,598	155,969	22,629
Data processing	124,297	138,217	133,266	4,951
Building and grounds	798,605	798,605	790,510	8,095
Courts building security	64,541	64,541	60,975	3,566
Drain commission	54,481	57,856	57,488	368
Boundary commission	300	300	-	300
Soil conservation	18,000	18,000	18,000	-0-
Circuit Court	269,851	299,851	287,303	12,548
Public Defender	326,000	333,362	332,804	558
District Court	957,359	961,636	934,804	26,832
Appeals Court	24,765	24,765	20,239	4,526
Probate Court	289,169	289,169	278,123	11,046
Child Care - Probate Court	133,000	133,000	108,228	24,772
Family Court	706,365	706,365	688,425	17,940
Jury commission	1,627	1,691	1,679	12
Friend of the Court	575,207	575,207	564,676	10,531
Total general government	7,137,770	7,285,310	6,969,076	316,234
Public Safety				
Sheriff - County	1,486,228	1,517,067	1,474,541	42,526
Sheriff - Reserves	12,746	12,746	8,856	3,890
Marine safety	37,990	46,651	46,139	512
Jail	1,652,219	1,700,215	1,698,678	1,537
Emergency Services	122,799	203,409	134,223	69,186

## St. Joseph County, Michigan

## General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety - continued				
Livestock claims	\$ 500	\$ 500	\$ -	\$ 500
Animal control	148,554	148,554	145,708	2,846
Total public safety	3,461,036	3,629,142	3,508,145	120,997
Public Works				
Board of public works	11,877	11,877	11,629	248
Health and Welfare				
District Health	388,075	390,295	390,295	-0-
Medical examiner	46,900	46,900	35,570	11,330
Veteran's Affairs	3,500	3,500	2,160	1,340
Substance Abuse Council	66,372	70,348	70,348	-0-
Veteran's Counselor	8,927	8,927	7,304	1,623
Total health and welfare	513,774	519,970	505,677	14,293
Community economic and development				
Plat board	431	496	484	12
Planning commission	12,175	12,175	9,563	2,612
Total community economic and development	12,606	12,671	10,047	2,624
Other				
Other	9,500	9,500	7,071	2,429
Contingency	200,000	21,272	-	21,272
Total other	209,500	30,772	7,071	23,701
TOTAL EXPENDITURES	11,346,563	11,489,742	11,011,645	478,097

St. Joseph County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Transfers to Other Funds				
Victims Rights Advocate Fund	\$ -	\$ 10,000	\$ 10,000	\$ -0-
Parks and Recreation Fund	144,856	144,856	144,856	-0-
Central Dispatch Fund	6,000	6,000	6,000	-0-
FIA Fund	14,200	14,200	14,200	-0-
Child Care Probate Fund	219,500	219,500	219,500	-0-
Disaster Relief Fund	500	500	-	500
FIA Child Care Fund	90,000	110,000	110,000	-0-
Secondary Road Patrol Fund	19,058	19,058	19,058	-0-
Law Library Fund	8,500	8,500	8,500	-0-
Total transfers to other funds	502,614	532,614	532,114	500
Operating transfers to component units				
County Road Commission Fund	30,000	30,000	30,000	-0-
Mental Health Services Fund	192,980	192,980	192,980	-0-
Total transfers to component units	222,980	222,980	222,980	-0-
TOTAL OTHER FINANCING USES	725,594	755,594	755,094	500
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 12,072,157</u>	<u>\$ 12,245,336</u>	<u>\$ 11,766,739</u>	<u>\$ 478,597</u>



St. Joseph County, Michigan

Central Dispatch Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 886,744	\$ 886,744	\$ 873,152	\$ (13,592)
Intergovernmental - Federal/State	26,000	26,000	26,617	617
Charges for services	60,900	-	-	-0-
Interest and rents	12,000	12,000	13,935	1,935
Other	-	-	2,309	2,309
TOTAL REVENUES	985,644	924,744	916,013	(8,731)
EXPENDITURES				
Current				
Public safety	956,284	895,384	872,855	22,529
EXCESS OF REVENUES OVER EXPENDITURES	29,360	29,360	43,158	13,798
OTHER FINANCING USES				
Operating transfer out	(217,100)	(217,100)	(213,058)	4,042
EXCESS OF REVENUES (UNDER) EXPENDITURES AND OTHER FINANCING USES	(187,740)	(187,740)	(169,900)	17,840
Fund balances, beginning of year	1,206,566	1,206,566	1,206,566	-0-
Prior period adjustment	-	-	(224,154)	(224,154)
Fund balances, end of year	<u>\$ 1,018,826</u>	<u>\$ 1,018,826</u>	<u>\$ 812,512</u>	<u>\$ (206,314)</u>

## **OTHER SUPPLEMENTARY INFORMATION**

St. Joseph County, Michigan  
Non-major Governmental Funds  
COMBINING BALANCE SHEET  
December 31, 2003

	Special		
	Parks and Recreation	Central Dispatch Wireless	Meyer Broadway Park
ASSETS			
Cash and cash equivalents	\$ 60,420	\$ 181,789	\$ 33,946
Accounts receivable	3,629	-	-
Due from other governmental units			
Due from Federal/State	-	29,912	26,820
Due from Local government	-	-	-
Prepayments	2,852	-	243
Inventory	-	-	-
TOTAL ASSETS	<u>\$ 66,901</u>	<u>\$ 211,701</u>	<u>\$ 61,009</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 985	\$ -	\$ 2,103
Accrued liabilities	3,746	852	1,138
Advances from State	-	-	-
TOTAL LIABILITIES	4,731	852	3,241
FUND BALANCES			
Reserved for			
Prepayments	2,852	-	243
Inventory	-	-	-
Cemetery maintenance	-	-	-
Unreserved			
Undesignated, reported in:			
Special revenue funds	59,318	210,849	57,525
TOTAL FUND BALANCES	<u>62,170</u>	<u>210,849</u>	<u>57,768</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 66,901</u>	<u>\$ 211,701</u>	<u>\$ 61,009</u>

Revenue

Facilities and Land Acquisition	Friend of the Court	Family Counseling	Court Caseflow Assistance	Waste Management
\$ 1,289	\$ 3,678	\$ 5,196	\$ 17,181	\$ 274,701
-	11	-	-	77,851
-	3,953	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 1,289</u>	<u>\$ 7,642</u>	<u>\$ 5,196</u>	<u>\$ 17,181</u>	<u>\$ 352,552</u>
\$ 25	\$ -	\$ 405	\$ -	\$ 20,528
-	643	-	-	-
-	-	-	-	-
25	643	405	-0-	20,528
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>1,264</u>	<u>6,999</u>	<u>4,791</u>	<u>17,181</u>	<u>332,024</u>
<u>1,264</u>	<u>6,999</u>	<u>4,791</u>	<u>17,181</u>	<u>332,024</u>
<u>\$ 1,289</u>	<u>\$ 7,642</u>	<u>\$ 5,196</u>	<u>\$ 17,181</u>	<u>\$ 352,552</u>

St. Joseph County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2003

	Special		
	Commission on Aging (9/30/2003)	FIA	FIA Child Care
ASSETS			
Cash and cash equivalents	\$ 277,088	\$ 120,813	\$ 1,310
Accounts receivable	20,482	-	-
Due from other governmental units			
Due from Federal/State	46,141	52,824	9,523
Due from Local government	-	-	-
Prepayments	9,413	-	-
Inventory	5,158	-	-
TOTAL ASSETS	<u>\$ 358,282</u>	<u>\$ 173,637</u>	<u>\$ 10,833</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 32,111	\$ -	\$ -
Accrued liabilities	41,379	-	-
Advances from State	-	108,000	-
TOTAL LIABILITIES	73,490	108,000	-0-
FUND BALANCES			
Reserved for			
Prepayments	9,413	-	-
Inventory	5,158	-	-
Cemetery maintenance	-	-	-
Unreserved			
Undesignated, reported in:			
Special revenue funds	270,221	65,637	10,833
TOTAL FUND BALANCES	<u>284,792</u>	<u>65,637</u>	<u>10,833</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 358,282</u>	<u>\$ 173,637</u>	<u>\$ 10,833</u>

Revenue

Traffic Safety	Veterans' Trust	Drug Law Enforcement	Remonumentation	Veteran's Memorial
\$ 105,022	\$ 1,160	\$ 57,087	\$ 515	\$ 1,842
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 105,022</u>	<u>\$ 1,160</u>	<u>\$ 57,087</u>	<u>\$ 515</u>	<u>\$ 1,842</u>
\$ 16	\$ -	\$ 522	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
<u>16</u>	<u>-0-</u>	<u>522</u>	<u>-0-</u>	<u>-0-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>105,006</u>	<u>1,160</u>	<u>56,565</u>	<u>515</u>	<u>1,842</u>
<u>105,006</u>	<u>1,160</u>	<u>56,565</u>	<u>515</u>	<u>1,842</u>
<u>\$ 105,022</u>	<u>\$ 1,160</u>	<u>\$ 57,087</u>	<u>\$ 515</u>	<u>\$ 1,842</u>

St. Joseph County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2003

		Special	
	Budget Stabilization	Victims' Rights Advocates (9/30/2003)	Community Correction Advisory Board (9/30/03)
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,431,700	\$ 3,171	\$ 13,847
Accounts receivable	-	-	-
Due from other governmental units			
Due from Federal/State	-	18,412	16,856
Due from Local government	-	-	-
Prepayments	-	613	-
Inventory	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 1,431,700</u>	<u>\$ 22,196</u>	<u>\$ 30,703</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 378	\$ 4,088
Accrued liabilities	-	916	717
Advances from State	-	-	-
<b>TOTAL LIABILITIES</b>	-0-	1,294	4,805
<b>FUND BALANCES</b>			
Reserved for			
Prepayments	-	613	-
Inventory	-	-	-
Cemetery maintenance	-	-	-
Unreserved			
Undesignated, reported in:			
Special revenue funds	1,431,700	20,289	25,898
<b>TOTAL FUND BALANCES</b>	<u>1,431,700</u>	<u>20,902</u>	<u>25,898</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,431,700</u>	<u>\$ 22,196</u>	<u>\$ 30,703</u>

Revenue

Community Correction Program	Law Enforcement	Secondary Road Patrol (9/30/03)	Law Library	CDBG Housing
\$ 106,617	\$ 56,576	\$ 23,008	\$ 5,847	\$ 115,900
-	-	-	-	-
-	15,225	16,075	-	-
-	55,402	-	-	-
-	-	3,549	-	-
-	-	-	-	-
<u>\$ 106,617</u>	<u>\$ 127,203</u>	<u>\$ 42,632</u>	<u>\$ 5,847</u>	<u>\$ 115,900</u>
\$ 3,737	\$ 105	\$ -	\$ 580	\$ 2,788
280	14,373	2,484	-	-
-	-	-	-	-
4,017	14,478	2,484	580	2,788
-	-	3,549	-	-
-	-	-	-	-
-	-	-	-	-
<u>102,600</u>	<u>112,725</u>	<u>36,599</u>	<u>5,267</u>	<u>113,112</u>
<u>102,600</u>	<u>112,725</u>	<u>40,148</u>	<u>5,267</u>	<u>113,112</u>
<u>\$ 106,617</u>	<u>\$ 127,203</u>	<u>\$ 42,632</u>	<u>\$ 5,847</u>	<u>\$ 115,900</u>



St. Joseph County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2003

	Special		
	Sheriff's Justice Training	Child Care Probate	Board of Public Works Administration
ASSETS			
Cash and cash equivalents	\$ 6,266	\$ 22,901	\$ 10,777
Accounts receivable	-	-	-
Due from other governmental units			
Due from Federal/State	-	7,793	-
Due from Local government	-	-	-
Prepayments	-	-	-
Inventory	-	-	-
TOTAL ASSETS	<u>\$ 6,266</u>	<u>\$ 30,694</u>	<u>\$ 10,777</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 27,130	\$ -
Accrued liabilities	-	1,899	-
Advances from State	-	-	-
TOTAL LIABILITIES	-0-	29,029	-0-
FUND BALANCES			
Reserved for			
Prepayments	-	-	-
Inventory	-	-	-
Cemetery maintenance	-	-	-
Unreserved			
Undesignated, reported in:			
Special revenue funds	<u>6,266</u>	<u>1,665</u>	<u>10,777</u>
TOTAL FUND BALANCES	<u>6,266</u>	<u>1,665</u>	<u>10,777</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,266</u>	<u>\$ 30,694</u>	<u>\$ 10,777</u>

Revenue			Permanent	Total Non-major Governmental Funds
Animal Shelter Donation Fund	Cade Lake Park	Register of Deeds Automation	Cemetery	
\$ 11,606	\$ 60,951	\$ 28,217	\$ 14,352	\$ 3,054,773
-	-	33	-	102,006
-	-	-	-	243,534
-	-	-	-	55,402
-	-	-	-	16,670
-	-	-	-	5,158
<u>\$ 11,606</u>	<u>\$ 60,951</u>	<u>\$ 28,250</u>	<u>\$ 14,352</u>	<u>\$ 3,477,543</u>
\$ 3,306	\$ 59,138	\$ 2,690	\$ -	160,635
-	-	-	-	68,427
-	-	-	-	108,000
3,306	59,138	2,690	-0-	337,062
-	-	-	-	16,670
-	-	-	-	5,158
-	-	-	14,352	14,352
<u>8,300</u>	<u>1,813</u>	<u>25,560</u>	<u>-</u>	<u>3,104,301</u>
<u>8,300</u>	<u>1,813</u>	<u>25,560</u>	<u>14,352</u>	<u>3,140,481</u>
<u>\$ 11,606</u>	<u>\$ 60,951</u>	<u>\$ 28,250</u>	<u>\$ 14,352</u>	<u>\$ 3,477,543</u>

St. Joseph County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2003

	Special		
	Parks and Recreation	Central Dispatch Wireless	Meyer Broadway Park
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental			
Federal/State	-	-	26,820
Local	3,629	-	-
Charges for services	9,500	127,024	2,612
Fines and forfeits	-	-	-
Interest and rents	-	2,255	3,375
Other	982	-	3,081
TOTAL REVENUES	14,111	129,279	35,888
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	18,657	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	133,963	-	43,245
Capital outlay	18,187	123,927	74,649
TOTAL EXPENDITURES	152,150	142,584	117,894
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(138,039)	(13,305)	(82,006)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	144,856	-	74,783
Operating transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	144,856	-0-	74,783
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	6,817	(13,305)	(7,223)
Fund balances, beginning of year	55,353	-	64,991
Prior period adjustment	-	224,154	-
Fund balances, end of year	\$ 62,170	\$ 210,849	\$ 57,768

Revenue				
Facilities and Land Acquisition	Friend of the Court	Family Counseling	Court Caseflow Assistance	Waste Management
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	6,990	-	-
-	17,524	-	-	-
-	-	-	-	-
-	5,830	-	-	315,120
-	-	-	-	-
5	103	-	-	-
150	192	-	-	-
155	23,649	6,990	-0-	315,120
-	17,443	10,711	-	-
-	-	-	-	-
-	-	-	-	128,532
-	-	-	-	-
26	-	-	-	-
-	395	-	325	-
26	17,838	10,711	325	128,532
129	5,811	(3,721)	(325)	186,588
-	-	-	-	-
-	(6,700)	-	(1,515)	(121,913)
-0-	(6,700)	-0-	(1,515)	(121,913)
129	(889)	(3,721)	(1,840)	64,675
1,135	7,888	8,512	19,021	267,349
-	-	-	-	-
\$ 1,264	\$ 6,999	\$ 4,791	\$ 17,181	\$ 332,024

St. Joseph County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2003

	Special		
	Commission on Aging (9/30/2003)	FIA	FIA Child Care
REVENUES			
Taxes	\$ 459,530	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental			
Federal/State	423,551	656,415	128,187
Local	-	-	-
Charges for services	146,631	-	-
Fines and forfeits	134,016	-	-
Interest and rents	-	-	-
Other	12,920	-	-
TOTAL REVENUES	1,176,648	656,415	128,187
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Health and welfare	1,061,147	680,724	250,678
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	17,674	-	-
TOTAL EXPENDITURES	1,078,821	680,724	250,678
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	97,827	(24,309)	(122,491)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	14,200	110,000
Operating transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	14,200	110,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	97,827	(10,109)	(12,491)
Fund balances, beginning of year	186,965	75,746	23,324
Prior period adjustment	-	-	-
Fund balances, end of year	\$ 284,792	\$ 65,637	\$ 10,833

Revenue

Traffic Safety	Veterans' Trust	Drug Law Enforcement	Remonumentation	Veterans' Memorial
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	6,432	-	43,196	-
-	-	-	-	-
54,629	-	18,808	-	-
-	-	34,883	-	-
-	-	-	-	-
-	-	1,023	-	-
54,629	6,432	54,714	43,196	-0-
-	-	-	48,716	-
41,136	-	23,822	-	-
-	7,803	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
41,136	7,803	23,822	48,716	-0-
13,493	(1,371)	30,892	(5,520)	-0-
-	-	-	6,000	-
-	-	(40,000)	-	-
-0-	-0-	(40,000)	6,000	-0-
13,493	(1,371)	(9,108)	480	-0-
91,513	2,531	65,673	35	1,842
-	-	-	-	-
\$ 105,006	\$ 1,160	\$ 56,565	\$ 515	\$ 1,842

St. Joseph County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2003

	Special		
	Budget Stabilization	Victims' Rights Advocate (9/30/2003)	Community Corrections Advisory Board (9/30/2003)
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Federal/State	-	54,814	103,431
Local	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	-0-	54,814	103,431
EXPENDITURES			
Current			
General government	-	51,000	-
Public safety	-	-	103,421
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	-0-	51,000	103,421
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	3,814	10
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	1,142	10,000
Operating transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	1,142	10,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	4,956	10,010
Fund balances, beginning of year	1,431,700	15,946	15,888
Prior period adjustment	-	-	-
Fund balances, end of year	<u>\$ 1,431,700</u>	<u>\$ 20,902</u>	<u>\$ 25,898</u>

Revenue				
Community Correction Program	Law Enforcement	Secondary Road Patrol (9/30/2003)	Law Library	CDBG Housing
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
54,675	56,175	99,209	-	14,565
-	291,957	-	-	8,256
-	11,680	-	-	-
-	-	-	6,500	-
-	-	-	-	-
-	7,070	-	-	100
54,675	366,882	99,209	6,500	22,921
-	-	-	12,775	-
46,582	328,059	123,352	-	-
-	-	-	-	-
-	-	-	-	14,646
-	-	-	-	-
-	-	-	-	-
46,582	328,059	123,352	12,775	14,646
8,093	38,823	(24,143)	(6,275)	8,275
-	-	19,058	8,500	-
(11,142)	(12,119)	-	-	-
(11,142)	(12,119)	19,058	8,500	-0-
(3,049)	26,704	(5,085)	2,225	8,275
105,649	86,021	45,233	3,042	104,837
-	-	-	-	-
\$ 102,600	\$ 112,725	\$ 40,148	\$ 5,267	\$ 113,112



St. Joseph County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2003

	Special		
	Sheriff's Justice Training	Child Care Probate	Board of Public Works Administration
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Federal/State	5,861	67,854	-
Local	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	17,952	-
TOTAL REVENUES	5,861	85,806	-0-
EXPENDITURES			
Current			
General government	-	-	-
Public safety	4,003	-	-
Health and welfare	-	342,105	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	4,003	342,105	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,858	(256,299)	-0-
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	219,500	-
Operating transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	219,500	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,858	(36,799)	-0-
Fund balances, beginning of year	4,408	38,464	10,777
Prior period adjustment	-	-	-
Fund balances, end of year	\$ 6,266	\$ 1,665	\$ 10,777

Revenue			Permanent	Total Non-major Governmental Funds
Animal Shelter Donation Fund	Cade Lake Park	Register of Deeds Automation	Cemetery	
\$ -	\$ -	\$ -	\$ -	\$ 459,530
-	-	-	-	6,990
-	-	-	-	1,758,709
-	-	-	-	303,842
-	-	78,821	-	770,655
-	-	-	-	175,399
-	-	112	251	6,101
-	-	-	-	43,470
-0-	-0-	78,933	251	3,524,696
-	-	53,373	1,845	195,863
11,700	-	-	-	700,732
-	-	-	-	2,470,989
-	-	-	-	14,646
-	59,506	-	-	236,740
-	48,649	-	-	283,806
11,700	108,155	53,373	1,845	3,902,776
(11,700)	(108,155)	25,560	(1,594)	(378,080)
-	87,574	-	-	695,613
-	-	-	-	(193,389)
-0-	87,574	-0-	-0-	502,224
(11,700)	(20,581)	25,560	(1,594)	124,144
20,000	22,394	-	15,946	2,792,183
-	-	-	-	224,154
\$ 8,300	\$ 1,813	\$ 25,560	\$ 14,352	\$ 3,140,481

St. Joseph County, Michigan

Non-major Enterprise Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2003

	Inmate Store	Three Rivers Community Center	COA Gadabouts	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 14,864	\$ 15,595	\$ 17,958	\$ 48,417
Accounts receivable	592	-	-	592
Total current assets	15,456	15,595	17,958	49,009
Noncurrent assets				
Capital assets				
Property, plant and equipment	-	16,739	-	16,739
Less: accumulated depreciation	-	(6,870)	-	(6,870)
Total noncurrent assets	-0-	9,869	-0-	9,869
TOTAL ASSETS	15,456	25,464	17,958	58,878
LIABILITIES				
Current liabilities				
Accounts payable	1,389	1,580	1,537	4,506
Accrued liabilities	-	1,908	15	1,923
TOTAL LIABILITIES	1,389	3,488	1,552	6,429
NET ASSETS				
Unrestricted	\$ 14,067	\$ 21,976	\$ 16,406	\$ 52,449

St. Joseph County, Michigan

Non-major Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2003

	Inmate Store	Three Rivers Community Center	COA Gadabouts	Total
OPERATING REVENUES				
Intergovernmental				
Local	\$ -	\$ 1,778	\$ -	\$ 1,778
Charges for services	13,069	-	74,195	87,264
Rent	-	30,803	-	30,803
Other	-	1,373	254	1,627
TOTAL OPERATING REVENUES	13,069	33,954	74,449	121,472
OPERATING EXPENSES				
Personal services	4,561	10,417	112	15,090
Operating supplies	11,092	20,508	60,423	92,023
Depreciation	-	1,620	-	1,620
TOTAL OPERATING EXPENSES	15,653	32,545	60,535	108,733
OPERATING INCOME (LOSS)	(2,584)	1,409	13,914	12,739
Net assets, beginning of year	16,651	20,567	2,492	39,710
Net assets, end of year	<u>\$ 14,067</u>	<u>\$ 21,976</u>	<u>\$ 16,406</u>	<u>\$ 52,449</u>

St. Joseph County, Michigan

Non-major Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2003

	Inmate Store	Three Rivers Community Center	COA Gadabouts	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 13,069	\$ 32,176	\$ 76,591	\$ 121,836
Cash paid to suppliers	(9,856)	(20,612)	(80,381)	(110,849)
Cash receipts from local government	-	1,778	-	1,778
Cash paid to employees	(4,561)	(9,978)	(97)	(14,636)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(1,348)	3,364	(3,887)	(1,871)
Cash and cash equivalents, beginning of year	16,212	12,231	21,845	50,288
Cash and cash equivalents, end of year	<u>\$ 14,864</u>	<u>\$ 15,595</u>	<u>\$ 17,958</u>	<u>\$ 48,417</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (2,584)	\$ 1,409	\$ 13,914	\$ 12,739
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	-	1,620	-	1,620
Decrease in receivables	-	-	2,142	2,142
Increase (decrease) in accounts payable	1,236	(104)	(1,971)	(839)
Increase in accrued liabilities	-	439	15	454
(Decrease) in deferred revenue	-	-	(17,987)	(17,987)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (1,348)</u>	<u>\$ 3,364</u>	<u>\$ (3,887)</u>	<u>\$ (1,871)</u>

St. Joseph County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2003

	Agency Funds			
	Trust and Agency	Library	Inmate	Total
ASSETS				
Cash and cash equivalents	<u>\$ 2,599,202</u>	<u>\$ 120,800</u>	<u>\$ 15,457</u>	<u>\$ 2,735,459</u>
LIABILITIES				
Undistributed tax collections	\$ 2,133,336	\$ -	\$ -	\$ 2,133,336
Due to other governmental units				
Federal/State	117,381	-	-	117,381
Local	9,246	-	-	9,246
Due to individuals and agencies	<u>339,239</u>	<u>120,800</u>	<u>15,457</u>	<u>475,496</u>
TOTAL LIABILITIES	<u>\$ 2,599,202</u>	<u>\$ 120,800</u>	<u>\$ 15,457</u>	<u>\$ 2,735,459</u>

St. Joseph County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2003

	Debt Service		Capital	
	Lamberson Dam	Fish Lake Drain	Long Lake Level-Fabius Revolving	Regular Drain
ASSETS				
Cash and cash equivalents	\$ 92,453	\$ 14	\$ 6,184	\$ 2,818
Cash - restricted	-	-	-	136,431
Accounts receivable	38	-	-	-
Special assessments receivable	386,281	38,000	-	19,012
<b>TOTAL ASSETS</b>	<b>\$ 478,772</b>	<b>\$ 38,014</b>	<b>\$ 6,184</b>	<b>\$ 158,261</b>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 6	\$ 7,648
Deferred revenue	327,539	19,152	-	-
Notes payable	-	-	-	16,000
<b>TOTAL LIABILITIES</b>	<b>327,539</b>	<b>19,152</b>	<b>6</b>	<b>23,648</b>
FUND EQUITY				
Fund balances				
Reserved for debt service	151,233	18,862	-	-
Unreserved				
Designated for capital expenditures	-	-	6,178	134,613
<b>TOTAL FUND EQUITY</b>	<b>151,233</b>	<b>18,862</b>	<b>6,178</b>	<b>134,613</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 478,772</b>	<b>\$ 38,014</b>	<b>\$ 6,184</b>	<b>\$ 158,261</b>

Projects						
Klinger Lake Level Special Assessment	Drain Revolving Maintenance	Palmer/ Long Lake Revolving	Eberhard Lake Level Special Assessment	Revolving Drain Maintenance	Grey Lake Study	Total
\$ 921	\$ 18,708	\$ 71,247	\$ 4,312	\$ 8,382	\$ 1,179	\$ 206,218
-	-	-	-	-	-	136,431
-	-	-	-	-	-	38
-	-	51,128	-	-	-	494,421
<u>\$ 921</u>	<u>\$ 18,708</u>	<u>\$ 122,375</u>	<u>\$ 4,312</u>	<u>\$ 8,382</u>	<u>\$ 1,179</u>	<u>\$ 837,108</u>
\$ 178	\$ -	\$ 10	\$ -	\$ -	\$ -	\$ 7,842
-	-	-	-	-	-	346,691
-	-	-	-	-	-	16,000
178	-0-	10	-0-	-0-	-0-	370,533
-	-	-	-	-	-	170,095
743	18,708	122,365	4,312	8,382	1,179	296,480
743	18,708	122,365	4,312	8,382	1,179	466,575
<u>\$ 921</u>	<u>\$ 18,708</u>	<u>\$ 122,375</u>	<u>\$ 4,312</u>	<u>\$ 8,382</u>	<u>\$ 1,179</u>	<u>\$ 837,108</u>



St. Joseph County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

December 31, 2003

<b>Total fund balance - governmental funds</b>	<b>\$</b>	<b>466,575</b>
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Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$	1,302,888	
Accumulated depreciation is		<u>(287,032)</u>	
Capital assets, net			1,015,856

Long-term liabilities are not due and payable in the current period  
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds and loans payable	634,485	
Accrued interest payable	<u>8,257</u>	
		<u>(642,742)</u>

<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u>839,689</u></b>
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St. Joseph County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended December 31, 2003

	Debt Service		Capital	
	Lamberson Dam	Fish Lake Drain	Long Lake Level-Fabius Revolving	Regular Drain
REVENUES				
Interest	\$ 1,180	\$ 78	\$ 55	\$ 571
Other				
Special assessments	66,660	19,123	-	20,968
Other	-	-	-	-
TOTAL REVENUES	67,840	19,201	55	21,539
EXPENDITURES				
Current				
Public works	-	-	234	87,037
Debt service				
Principal redemption	77,500	17,689	-	-
Interest and fees	19,181	3,667	-	-
TOTAL EXPENDITURES	96,681	21,356	234	87,037
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(28,841)	(2,155)	(179)	(65,498)
OTHER FINANCING SOURCES (USES)				
Note proceeds	-	-	-	213,000
Operating transfers in	-	270	-	29,134
Operating transfers out	-	-	-	(48,784)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	270	-0-	193,350
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(28,841)	(1,885)	(179)	127,852
Fund balances, beginning of year	180,074	20,747	6,357	6,761
Fund balances, end of year	\$ 151,233	\$ 18,862	\$ 6,178	\$ 134,613

Projects						
Klinger Lake Level Special Assessment	Drain Revolving Maintenance	Palmer Long Lake Revolving	Eberhard Level Special Assessment	Revolving Drain Maintenance	Grey Lake Level Study	Total
\$ 5	\$ 118	\$ 540	\$ 21	\$ 72	\$ 10	\$ 2,650
-	-	51,127	-	-	-	157,878
-	2,634	-	-	-	-	2,634
5	2,752	51,667	21	72	10	163,162
3,299	10,591	25,380	480	-	-	127,021
-	-	-	-	-	-	95,189
-	-	-	-	-	-	22,848
3,299	10,591	25,380	480	-0-	-0-	245,058
(3,294)	(7,839)	26,287	(459)	72	10	(81,896)
-	-	-	-	-	-	213,000
3,340	48,829	-	-	-	-	81,573
-	(32,744)	-	(45)	-	-	(81,573)
3,340	16,085	-0-	(45)	-0-	-0-	213,000
46	8,246	26,287	(504)	72	10	131,104
697	10,462	96,078	4,816	8,310	1,169	335,471
\$ 743	\$ 18,708	\$ 122,365	\$ 4,312	\$ 8,382	\$ 1,179	\$ 466,575

St. Joseph County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended December 31, 2003

**Net change in fund balances - total governmental funds** \$ 131,104

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 63,569	
Depreciation expense	<u>(30,983)</u>	32,586

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt proceeds	\$ (213,000)	
Debt principal retirements	<u>95,189</u>	(117,811)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	<u>(2,109)</u>
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**Change in net assets of governmental activities** \$ 43,770

St. Joseph County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS

December 31, 2003

	Debt			
	Constantine Village Sewer	Three Rivers Water System	White Pigeon Township Klinger Lake Sewer System	White Pigeon Village Klinger Lake Sewer System
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
FUND BALANCES				
Unreserved				
Designated for capital projects	\$ -	\$ -	\$ -	\$ -

Service				Capital Project	
Fish Lake Sewer System	White Pigeon Village Klinger Lake Sewer Extension	Constantine Waste Water System	White Pigeon Extension Water System	Constantine Village Sewer System Construction	Total
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,729</u>	<u>\$ 82,729</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,729</u>	<u>\$ 82,729</u>

St. Joseph County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS - BOARD OF PUBLIC WORKS

December 31, 2003

<b>Total fund balance - governmental funds</b>	<b>\$ 82,729</b>
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Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term receivables are not available to pay for current period expenditures and therefore are not reported as assets in the funds.

Long-term receivables at year-end consist of:

Lease receivable	4,403,596
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Accrued interest payable	\$ 113,596	
Direct county obligations	<u>4,290,000</u>	
		<u>(4,403,596)</u>

<b>Net assets of governmental activities</b>	<b><u><u>\$ 82,729</u></u></b>
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St. Joseph County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2003

	Debt			
	Constantine Village	Three Rivers Water System	White Pigeon Township Klinger Lake Sewer System	White Pigeon Village Klinger Lake Sewer System
REVENUES				
Intergovernmental - local	\$ 35,414	\$ 103,440	\$ 224,675	\$ 36,003
Interest	-	-	-	-
TOTAL REVENUES	35,414	103,440	224,675	36,003
EXPENDITURES				
Capital outlay	-	-	-	-
Debt service				
Principal	-	100,000	215,000	25,000
Interest and fiscal charges	35,414	3,440	9,675	11,003
TOTAL EXPENDITURES	35,414	103,440	224,675	36,003
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	-0-	-0-	-0-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -0-	\$ -0-	\$ -0-	\$ -0-



Service				Capital Projects	Total
Fish Lake Sewer System	White Pigeon Village Klinger Lake Sewer Extension	Constantine Waste Water System	White Pigeon Extension Water System	Constantine Village Sewer System Construction	
\$ 85,818	\$ 48,356	\$ 125,027	\$ 20,950	\$ -	\$ 679,683
-	-	-	-	1,814	1,814
85,818	48,356	125,027	20,950	1,814	681,497
-	-	-	-	128,089	128,089
47,970	27,030	60,000	10,000	-	485,000
37,848	21,326	65,027	10,950	-	194,683
85,818	48,356	125,027	20,950	128,089	807,772
-0-	-0-	-0-	-0-	(126,275)	(126,275)
-	-	-	-	209,004	209,004
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 82,729	\$ 82,729

St. Joseph County, Michigan

Component Unit Funds

EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2003

<b>Net change in fund balances - total governmental funds</b>	<b>\$ (126,275)</b>
---	---------------------

Amounts reported for governmental activities in the statement of activities are different because:

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirements	485,000
----------------------------	---------

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Decrease) in accrued interest payable	<u>(31,225)</u>
--	-----------------

<b>Change in net assets of governmental activities</b>	<b><u><u>\$ 327,500</u></u></b>
--	---------------------------------

St. Joseph County, Michigan

Component Unit Funds

BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION

December 31, 2003

	<u>Special Revenue</u>
ASSETS	
Current assets	
Cash and cash equivalents	<u>\$      138,483</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Current liabilities	
Accounts payable	\$      2,674
Accrued liabilities	<u>          4,725</u>
TOTAL LIABILITIES	7,399
FUND BALANCE	
Fund balance	
Unreserved	
Undesignated	<u>          131,084</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$      138,483</u>

St. Joseph County, Michigan

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS - ECONOMIC DEVELOPMENT CORPORATION

December 31, 2003

**Total fund balance - governmental fund** **\$ 131,084**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	\$ 6,965
Accumulated depreciation is	<u>(4,275)</u>

Capital assets, net	<u>2,690</u>
---------------------	--------------

<b>Net assets of governmental activities</b>	<b><u><u>\$ 133,774</u></u></b>
--	---------------------------------

St. Joseph County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - ECONOMIC DEVELOPMENT CORPORATION

For the Year Ended December 31, 2003

	<u>Special Revenue</u>
REVENUES	
Interest	\$ 1,793
Other	
Contributions from local units	4,066
Miscellaneous	<u>37,144</u>
TOTAL REVENUES	43,003
EXPENDITURES	
Community and economic development	
Salaries and wages	59,526
Contracted Services	20,939
Fringe benefits	10,182
Supplies	1,972
Utilities	859
Miscellaneous	16,700
Capital outlay	<u>2,793</u>
TOTAL EXPENDITURES	<u>112,971</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(69,968)
OTHER FINANCING SOURCES	
Transfer in from primary government	<u>47,130</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES	(22,838)
Fund balance, beginning of year	<u>153,922</u>
Fund balance, end of year	<u><u>\$ 131,084</u></u>

St. Joseph County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL  
FUND TO THE STATEMENT OF ACTIVITIES - ECONOMIC DEVELOPMENT CORPORATION

Year Ended December 31, 2003

**Net change in fund balance - governmental fund** \$ (22,838)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year these amounts were

Capital outlay	2,793	
Depreciation expense	<u>(1,273)</u>	
		<u>1,520</u>

**Change in net assets of governmental activities** \$ (21,318)

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
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Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA

Karen A. Roka, CPA  
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**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

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and  
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REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners  
St. Joseph County  
Centreville, Michigan

We have audited the basic financial statements of St. Joseph County as of and for the year ended December 31, 2003, and have issued our report thereon dated March 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

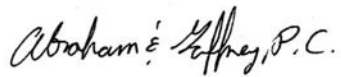
Compliance

As part of obtaining reasonable assurance about whether St. Joseph County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Joseph County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the administration and Board of Commissioners of St. Joseph County, the pass-through grantors, and the U.S. Departments of Transportation, Agriculture, Health and Human Services, Housing and Urban Development and the Federal Emergency Management Agency and is not intended to be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Abraham & Gaffney, P.C.".

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 23, 2004



Principals

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MANAGEMENT LETTER

To the Board of Commissioners  
of St. Joseph County  
Centreville, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of St. Joseph County, Michigan, for the year ended December 31, 2003. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. A reconciliation of trust and agency liability accounts to supporting documentation should be performed.

During the course of our audit it was noted that the inmate trust payable trust account had not been reconciled to supporting documentation.

We suggest the inmate trust account be reconciled at a specific point in time, and any necessary adjustments to the general ledger be made.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements, dated March 23, 2004.

This report is intended solely for the use of management and the Board of Commissioners of St. Joseph County, the pass-through grantors, and the U.S. Department of Health and Human Services, Housing and Urban Development, Transportation, Justice, Homeland Security, and Agriculture, and the Federal Emergency Management Agency and is not intended to be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 23, 2004

108 N. Spring St. ▪ St. Johns, MI 48879-1574 ▪ (989) 224-6836 ▪ FAX: (989) 224-6837  
745 Barclay Circle, Suite 335, PO Box 70067 ▪ Rochester Hills, MI 48307 ▪ (248) 844-2550 ▪ FAX: (248) 844-2551

**St. Joseph County, Michigan**

**SUPPLEMENTARY INFORMATION  
TO FINANCIAL STATEMENTS  
(FEDERAL AWARDS)**

**December 31, 2003**

St. Joseph County, Michigan

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### Principals

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners  
of St. Joseph County  
Centreville, Michigan

### Compliance

We have audited the compliance of St. Joseph County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that is applicable to the major Federal programs for the year ended December 31, 2003. St. Joseph County's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major Federal programs are the responsibility of St. Joseph County's management. Our responsibility is to express an opinion on St. Joseph County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major Federal programs occurred. An audit includes examining, on a test basis, evidence about St. Joseph County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on St. Joseph County's compliance with those requirements.

In our opinion, St. Joseph County complied, in all material respects, with the requirements referred to above that are applicable to the major Federal programs for the year ending December 31, 2003.

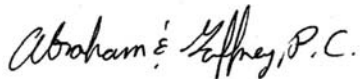
### Internal Control Over Compliance

The management of St. Joseph County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered St. Joseph County's internal control over compliance with requirements that could have a direct and material effect on the major Federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major Federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We have audited the basic financial statements of St. Joseph County as of and for the year ended December 31, 2003, and have issued our report thereon dated March 23, 2004. Our audit was performed for the purpose of forming an opinion on the basic statements that collectively comprise St. Joseph County's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners and management of St. Joseph County, the pass-through grantors, and the U.S. Departments of Transportation, Agriculture, Health and Human Services, Justice, and Housing and Urban Development, and the Federal Emergency Management Agency and is not intended to be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Abraham & Gaffney, P.C.".

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 23, 2004

St. Joseph County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2003

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Restated (Memo Only) Prior Year Expenditures</u>	<u>Current Year</u>	
					<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Passed through Michigan State Housing Development Authority Community Development Block Grant (CDBG) Program State's Program	14.228					
00/02 (Housing)		MSC-2000-1067-HOA	\$ 250,000	\$ 216,240	\$ -	-
03/05 (Housing)		MSC-2002-1067-HOA	<u>275,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
			525,000	216,240	-0-	-0-
U.S. DEPARTMENT OF JUSTICE						
Office of Community Oriented Policing Services (COPS) (Direct Programs)	16.710					
COPS In-School (01-04)		2001-SHWX-0068	125,000	63,750	56,175	56,175
Office of Justice Programs (Direct Programs)	16.606					
2003 SCAAP		SCAAP2003	42,277	34,814	7,463	7,463
Passed through Michigan Family Independence Agency Juvenile Accountability Incentive Block Grant	16.523					
2003 Basic Grant		N/A	15,000	-	6,059	6,059
2003 JAIBG		JAIBG-2003-533	7,995	-	5,633	5,633
2002 JAIBG		JAIBG-02-75001	<u>11,486</u>	<u>7,959</u>	<u>3,527</u>	<u>3,527</u>
			34,481	7,959	15,219	15,219
Passed through Michigan State Police State Domestic Preparedness	16.007					
2002 State Domestic Preparedness Program Grant		N/A	63,215	-	62,988	62,988

St. Joseph County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended December 31, 2003

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Restated (Memo Only) Prior Year Expenditures</u>	<u>Current Year</u>	
					<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF JUSTICE - CONTINUED						
Passed through Michigan Department of Community Health						
Office of Drug Control Policy	16.579					
Byrne Memorial Formula Grant						
02/03		72044-1K02	\$ 30,000	\$ -	\$ 25,496	\$ 25,496
U.S. DEPARTMENT OF TRANSPORTATION						
Passed through Michigan						
Department of Transportation						
Formula Grants for Other Than						
Urbanized Areas						
02/03 RTAP Training	20.509	N/A	1,487	-	1,487	1,487
Capital Assistance Programs for						
Elderly Persons with Disabilities						
02/03 Equipment Grant <sup>(a)</sup>	20.513	N/A	3,808	-	3,808	3,808
Passed through Michigan						
Department of State Police						
Hazardous Materials						
Emergency Planning	20.703					
2002/03 HMEP		N/A	1,280	-	198	198
FEDERAL EMERGENCY MANAGEMENT AGENCY						
Passed through Michigan						
Department of State Police						
Emergency Management						
Assistance Program	83.552					
FY 2003 Regular		N/A	23,610	-	23,610	19,359
FY 2003 Supplemental		N/A	51	-	51	782
FY 2002 Supplemental		N/A	22	-	22	22
			23,683	-0-	23,683	23,683

St. Joseph County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended December 31, 2003

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Restated (Memo Only) Prior Year Expenditures</u>	<u>Current Year</u>	
					<u>Revenues</u>	<u>Expenditures</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY - CONTINUED						
Passed through Michigan Department of State Police - continued Supplemental Domestic Preparedness Strategy FY 2002	83.562	N/A	\$ 18,686	\$ -	\$ 13,426	\$ 13,426
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed through State Department of Office on Services to the Aging and Region IIIC Area Agency on Aging Title IIID Special Programs for the Aging FY02/03 Disease Prevention	93.043	N/A	8,953	-	8,953	8,953
Title IIIB Special Programs for the Aging <sup>(e)</sup> (Chore, Homecare, Case Coordination and Support, Repair, Respite, Transportation, and Assurance) FY02/03	93.044	N/A	67,126	-	67,126	67,126
Title IIIC Special Programs for the Aging <sup>(e)</sup> FY02/03 Nutrition Congregate FY02/03 Nutrition Home Delivered Meals	93.045	N/A N/A	60,310 <u>65,804</u>	- <u>-</u>	53,166 <u>63,834</u>	\$ 53,166 <u>63,834</u>
			126,114	-0-	117,000	117,000
Title IIIE Special Programs for the Aging FY02/03 Information and Assistance	93.052	N/A	18,672	-	14,366	14,366



St. Joseph County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended December 31, 2003

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Restated (Memo Only) Prior Year Expenditures</u>	<u>Current Year</u>	
					<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED						
Passed through Michigan Family Independence Agency Child Support Enforcement <sup>(d)</sup> (Title IV-D)	93.563					
Cooperative Reimbursement - Friend of the Court <sup>(b)</sup>						
03/04		CS/FOC-04-75001	\$ 305,771	\$ -	\$ 67,487	\$ 67,487
02/03		CS/FOC-03-75001	292,594	56,683	200,741	200,741
Cooperative Reimbursement - Prosecuting Attorney <sup>(b)</sup>						
03/04		CS/PA-04-75002	64,750	-	9,971	9,971
02/03		CS/PA-03-75002	64,255	9,016	28,218	28,218
Medical Support Collection - <sup>(b)</sup>						
Friend of the Court FY03/04		CS/MED-04-75001	17,046	2,837	8,360	8,360
Friend of the Court FY02/03		CS/MED-03-75001	17,046	-	3,206	3,206
Incentive Payments <sup>(c)</sup>						
2003 Regular		N/A	<u>36,914</u>	<u>-</u>	<u>36,914</u>	<u>36,914</u>
			798,376	68,536	354,897	354,897
U.S. DEPARTMENT OF AGRICULTURE						
Passed through State Department of Office on Services to the Aging and Region IIIC Area Agency on Aging						
Title III Elderly Feeding Program	10.570					
02/03 Elderly Feeding (Congregate)		N/A	11,710	-	10,286	10,286
02/03 Elderly Feeding (Home Delivered Meals)		N/A	<u>35,364</u>	<u>-</u>	<u>34,335</u>	<u>34,335</u>
			<u>47,074</u>	<u>-0-</u>	<u>44,621</u>	<u>44,621</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 1,935,232	\$ 391,299	\$ 816,906	\$ 816,906

St. Joseph County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2003

**NOTE A: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of St. Joseph County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements that are reconciled in Note C.

**NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE**

The following descriptions identified below as (a)-(e) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Reimbursement of this contract is passed through the State Department of Transportation. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on the 80% of total contract expenditures:
- (b) Reimbursements of these contracts are passed through the State Family Independence Agency. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on 66% of total contract expenditures.
- (c) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues.
- (d) Denotes programs tested as "major programs".
- (e) Programs considered a cluster by the U.S. Department of Health and Human Services.

**NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The following reconciles the Federal revenues reported in the December 31, 2003, Basic financial statements to the expenditures of the County administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/ State Revenue</u>	<u>Less State Revenue</u>	<u>Adjustments</u>	<u>Federal Expenditures</u>
PRIMARY GOVERNMENT				
GENERAL FUND				
CRP - Prosecuting Attorney	\$ 62,868	\$ 24,679	\$ -	\$ 38,189
CRP - Friend of the Court	444,776	139,634	-	305,142
Preparedness Equipment Grant	62,988	-	-	62,988
SCAAP Grant	7,463	-	-	7,463
Juvenile Accountability	9,160	-	-	9,160
Preparedness Supplemental Grant	13,426	-	-	13,426
Emergency Planning - Site Plans	198	-	-	198
Live Scan Fingerprint Grant	25,496	-	-	25,496
Emergency Management Assistance Program	23,683	-	-	23,683
Other Programs	<u>2,193,705</u>	<u>2,193,705</u>	<u>-</u>	<u>-0-</u>
TOTAL GENERAL FUND	2,843,763	2,358,018	-0-	485,745

St. Joseph County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2003

**NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**

	<u>Federal/ State Revenue</u>	<u>Less State Revenue</u>	<u>Adjustments</u>	<u>Federal Expenditures</u>
<b>SPECIAL REVENUE FUNDS</b>				
Friend of the Court	\$ 17,524	\$ 5,958	\$ -	\$ 11,566
Commission on Aging	423,551	166,190	-	257,361
CDBG - Housing	14,565	-	( 14,565 ) <sup>(1)</sup>	-0-
Child Care Probate	67,854	61,795	-	6,059
Law Enforcement Fund	56,175	-	-	56,175
Other Programs	<u>1,179,040</u>	<u>1,179,040</u>	<u>-</u>	<u>-0-</u>
TOTAL SPECIAL REVENUE FUNDS	1,758,709	1,412,983	( 14,565 )	331,161
<b>COMPONENT UNIT FUNDS</b>				
Mental Health Services	9,266,270	9,197,263	( 69,007 ) <sup>(3)</sup>	-0-
Road Commission	<u>5,272,295</u>	<u>4,842,374</u>	<u>( 429,921 )<sup>(2)</sup></u>	<u>-0-</u>
TOTAL COMPONENT UNIT FUNDS	<u>14,538,565</u>	<u>14,039,637</u>	<u>( 498,928 )</u>	<u>-0-</u>
	<u>\$19,141,037</u>	<u>\$17,810,638</u>	<u>\$ ( 513,493 )</u>	<u>\$ 816,906</u>

Following is a summary of the adjustment in the above schedule:

- (1) The adjustment related to the Housing Grant represents funds which had been contractually committed to projects as of the end of the prior year (December 31, 2002). The funding source considers these funds expended and requires them to be included in the year in which they were committed which does not meet the expenditure recognition criteria of generally accepted accounting principles (GAAP). These funds were recognized in the Schedule of Expenditures of Federal Awards as of December 31, 2002, but were recognized in the audited financial statements as revenues as of December 31, 2003, in accordance with GAAP. The adjustment relates to \$14,565 of CDBG Funds.
- (2) The Road Commission is audited by other auditors. The total adjustment (\$429,921) in Federal funds represents the Department of Transportation Federal Highway grant money expended on public road improvement projects under Federal Urban and Rural Programs. All of these federal awards were expended on projects where work was administered by the Michigan Department of Transportation; therefore, the single audit on these funds is covered with the State single audit. All of these funds have been excluded from the County's Single Audit.
- (3) The Community Mental Health, which is audited by other auditors, has a total adjustment of \$69,007 in Federal funds. Due to no specific details related to this amount being presented in the audit of the Community Mental Health we were unable to determine how much of these funds were subject to the Single Audit Act. Due to the amount subject to the Single Audit Act at the Community Mental Health being under the threshold to require a Single Audit, it was not performed by the component unit auditors for the year ended September 30, 2003. All of these funds have been excluded for the County's Single Audit.

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA

Karen A. Roka, CPA  
James A. Huguelet, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA  
Kurt M. Lemmen, CPA



**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

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Michigan Association of  
Certified Public  
Accountants

REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners  
of St. Joseph County  
Centreville, Michigan

We have audited the basic financial statements of St. Joseph County, Michigan as of and for the year ended December 31, 2003, and have issued our report thereon dated March 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

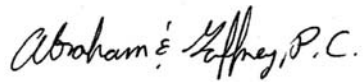
Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Joseph County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management, the Board of Commissioners and management of St. Joseph County, pass-through grantors, the U.S. Departments of Transportation, Agriculture, Health and Human Services, Justice, and Housing and Urban Development, and the Federal Emergency Management Agency and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Abraham & Gaffney, P.C.".

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 23, 2004

St. Joseph County, Michigan

SCHEDULE OF FINDINGS

For the Year Ended December 31, 2003

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the basic financial statements. There were no reportable conditions disclosed by the audit of the basic financial statements. We noted no instances of noncompliance with laws, regulations, contracts and grants that could have a direct and material affect on the basic financial statements.

An unqualified opinion was issued on compliance for major programs. We noted no reportable conditions related to internal controls or compliance related to the major programs tested.

The major program tested to cover 25 percent of the total Federal expenditures was the Child Support Enforcement (Title IV-D)(CFDA 93.563). Total Federal expenditures for the year ended December 31, 2003 for the major programs were \$354,897, which is approximately 43 percent of total Federal expenditures. The County was determined to qualify as a low-risk auditee.

The County had one (1) Type A program, the Child Support Enforcement Program (Title IVD) (CFDA 93.563). Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Control Over the basic financial statements.

None

Findings Related to Compliance with Requirements Related to the basic financial statements.

None

Findings Related to Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2003

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Basic financial statements.

No prior audit findings noted.

Findings Related to Compliance with Requirements Applicable to the Basic financial statements.

No prior audit findings noted.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

Child Support Enforcement (Title IV-D) - CFDA 93.563; Grant No. CS/PA-00-75002, CS/PA-01-75002-1; CS/FOC-00-75001; CS/FOC-01-75001-1 covering January 1, 2000 through December 31, 2000. Child Support Enforcement (Title IV-D) - CFDA 93.563; Grant No. CS/PA-01-75002-1 and CS/PA-02-75002-1; Grant period - CS/PA-01-75002-1 covered January 1, 2001 - September 30, 2001; CS/PA-02-75002-1 covered October 1, 2001 - December 31, 2003.

As noted in the 2000 and 2001 Single Audits, the County had questioned costs related to the above noted grants as it relates to the charging of retirement costs in 2000 and 2001 as detailed in the Noncompliance with Federal Regulations Finding 00-01 and 01-1.

These prior year findings have not been resolved.